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ABSTRACT

This publication serves as a source document that provides a basic understanding of Illinois school finance. It supplies information on the sources and amounts of funds available for prekindergarten through postsecondary education in Illinois common schools. The publication contains a summary of fiscal year 1999 appropriations to the Illinois State Board of Education as well as appropriations for educationally related purposes made to other state agencies. Information is provided on the sources and uses of state and federal revenues, sources of local revenues, school reform legislation, and legislation that affects school financial management. Tax-rate limitations, interfund transfers, short- and long-term borrowing, and information on the required recording of district revenues and expenditures are also included. Included as appendices are a glossary, a school-finance bibliography, a graph of General State Aid distribution and representative forms, and computation sheets.(DFR)

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# ILLINOIS STATE BOARD OF EDUCATION

# STATE, LOCAL AND FEDERAL FINANCING FOR ILLINOIS PUBLIC SCHOOLS

## 1998 - 1999

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# State, Local and Federal Financing for Illinois Public Schools

## 1998-99

August 1999

Ronald J. Gidwitz, Chairman
Illinois State Board of Education

Glenn W. McGee
State Superintendent of Education

# Foreword

*State, Local, and Federal Financing for Illinois Public Schools, 1998-99* provides information on the sources and amounts of funds available for prekindergarten through post-secondary education in Illinois common schools. This publication contains a summary of Fiscal Year 1999 appropriations to the Illinois State Board of Education, as well as appropriations for educationally related purposes made to other state agencies.

Information is provided on the sources and uses of state and federal revenues, sources of local revenues, school reform legislation, and legislation which affects school financial management. Tax-rate limitations, interfund transfers, short- and long-term borrowing, and information on the required recording of district revenues and expenditures are also included.

This publication is intended to serve as a source document that provides a basic understanding of Illinois school finance. It can serve as a discussion guide, an outline for individual and group analyses, and supplementary reading in school finance courses. Because much of the information in this document provides an abbreviated treatment of complex matters, further study is necessary for a comprehensive understanding of school finance and program funding in Illinois schools. Included as appendices are a glossary, a school finance bibliography, a graph of General State Aid distribution, and representative forms and computation sheets.

Although many people contributed to the contents of this publication, the bulk of the writing and analysis was done by staff from the School Financial Management Services Division. The primary authors are Nancy Spinner, David Weidler and Frank Hanselman.

Glenn W. McGee
State Superintendent
of Education

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## About the Authors

David Weidler is the most senior (in tenure only) of the trio, having joined the School Finance unit in 1972. David holds a Bachelor of Science Degree in Business Administration from Southern Illinois University at Edwardsville. He is dubbed the "Go-to Guy" by his colleagues in the School Financial Services Division.

Nancy Spinner has been a member of the Illinois State Board of Education staff since 1980. She worked in Research and Program Evaluation until 1995, when she joined the School Financial Management Services Division. Nancy is a Certified Chief School Business Official; she holds a Master's Degree in Business Administration from the University of Illinois, Champaign.

Frank Hanselman also has a lengthy tenure with the Illinois State Board of Education, having worked in the Internal Audits Unit since 1979. Frank joined the School Financial Management Services Division in January 1999. Frank has a Master's Degree in Business Administration from the University of Illinois, Springfield.

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# OVERVIEW

Revenues for Illinois common schools for the 1998-99 school year (state Fiscal Year 1999) total an estimated $15,559.0 million. In Illinois, as in most other states, education is financed through a combination of state, local and federal monies. The state portion of these 1998-99 revenues is $5,654.4 million (36.34%), the local share is an estimated $8,470.1 million (54.44%), and the federal share is $1,434.3 million (9.22%).

## State Funding

State revenues that support Illinois elementary and secondary schools are provided for a variety of legislatively established programs. The majority of the state support for schools (64.4%) is allotted through the General State Aid (GSA) formula. For Fiscal Year 1999, a total of $2.987 billion in General State Aid will be distributed to 897 school districts, the laboratory schools at Illinois State University and the University of Illinois, and 22 alternative schools. The amount provided to each school district varies with its relative wealth (as measured by property values), the number of students attending its schools, and the local tax effort exerted by the school district (as measured by minimum qualifying property tax rates). (Note: Appendix C is a thorough discussion of the provisions of the General State Aid law, which underwent major changes via Public Act 90-548 signed into law December 4, 1998. Section 18-8.05 of the School Code delineates the new State Aid formula, a "hold harmless" provision, and a separate General State Aid adjustment grant (known as the "double whammy").

Other major state financial support for schools is in the form of categorical and special program grants and grants for school reform and improvement initiatives. State categorical grants provide funds for special education, transportation, vocational education, school lunch and breakfast, bilingual education, textbooks, adult education, school construction, and gifted and remedial student programs. Reform and school improvement programs, most enacted in 1985, provide additional grants for at-risk programs such as preschool education, elementary school reading programs and truancy and dropout prevention projects.

The state also provides the employer's (school district) contributions to the two pension systems in which Illinois elementary and secondary teachers participate. State appropriations for the Illinois Teachers' Retirement System and the Chicago Teachers' Pension and Retirement System totaled $605,516.6 million for Fiscal Year 1999.

Included in our listing of state support for education are state appropriations for educational purposes other than the operation of the common schools. Among the items included are capital projects funding, support for public and nonpublic school equipment purchases, and literacy program grants.

## Local Funding

The primary source of local funding for Illinois schools is the local property tax. The estimates of local revenues in this publication are based upon the local real property tax authority of schools and the receipts of corporate personal property replacement taxes. Excluded from these estimates are proceeds from the sale of bonds, income from the sale of property or equipment, investment income, fees and assessments, revenues from food program sales, and other miscellaneous income such as impact fees from real estate developers.

Illinois real property values and related taxes are established on a calendar-year basis. Property assessments for the 1998 calendar year provide the basis for property tax revenues distributed in calendar year 1999. State-directed equalization factors (multiplier adjustments) are designed to assure equal valuation treatment across Illinois' 102 counties. Equalized Assessed Valuations

(EAVs) represent the taxable property base for schools as certified by the Illinois Department of Revenue.

The estimates for local property tax revenues for 1998-99 used in this publication are approximations of the property tax levies for the 1997 tax year. They represent tax extensions in 1998. This 1998 estimate of $7,974.4 billion is based upon preliminary EAVs and tax rates. Actual property tax receipts to a district in 1998-99 will vary as a result of collection differences, local accounting practices and the tax rates adopted in December 1997.

The other major source of locally related revenue for schools is Corporate Personal Property Replacement Tax (CPPRT) revenues. Until 1979, Illinois law allowed the taxation of the personal property of businesses. This revenue source was eliminated in 1979 and replaced with an alternative tax on Illinois businesses. The CPPRT imposes a state-collected tax on the net income of businesses (corporations, partnerships and trusts) and an invested capital tax on utilities. The proceeds of this tax are distributed to local taxing bodies in proportion to the relative share of personal property taxes received by these local taxing bodies prior to 1979. Collectively, public schools receive approximately 52 percent of the replacement revenues generated by the CPPRT. The remaining revenues are distributed to over 5,000 other units of local government.

The Illinois Department of Revenue reported that $513.5 million in CPPRT was distributed to local schools in the 1998 fiscal year.

### Federal Funding

Federal financial support for the nation's schools is provided primarily through grants and reimbursements from the U.S. Department of Education and the U.S. Department of Agriculture made to the state. Most federal financial aid is directed toward the support of students from low-income households or is limited to special programs or populations.

Virtually all federal support for schools in Illinois is granted to the Illinois State Board of Education (ISBE) and distributed to local school districts. Just over $1,434.316 million for various federal programs was appropriated by the Illinois General Assembly for the 1998-99 school year. Of this amount, approximately $1,401.150 million will be available to local education agencies, with the remainder ($33,166,100 million) appropriated to ISBE for the administration, monitoring, and program support services it provides directly.

The two largest federal funding sources are the Improving America's Schools Act, Title 1 (IASA) program ($368,255,000 million) and the U.S. Department of Agriculture's school food program ($350,650,000 million). Other significant federal funding is provided for special education ($414,055,000 million) and vocational education ($41.0 million). (Note: "Vocational education" includes job training, technology literacy and adult education. All figures include program and administration funds.)

The only significant federal funding provided directly to local schools in Illinois is Federal Impact Aid. This assistance, which offsets the loss of potential local property taxes attributable to federal use of property in a district, is estimated to be $11,246.1 million for the 1998-99 school year.

### State Sources of Revenues

For Fiscal Year 1999, state revenues to all funds will total an estimated $32.168 billion. Major sources of state revenues are individual and corporate income taxes (approximately 26 percent of estimated total 1999 revenues), federal grants and reimbursements (27.1%), the Retailers Occupation and Use (sales) Tax (18.8%), motor fuel taxes and fees (6.46%), and gross proceeds of the Illinois State Lottery (2.56%). Taxes on alcohol, tobacco, parimutuel betting, real estate transfers and private car sales, along with various other fee, licensure and transaction proceeds, are included as part of total state revenues. The state also raises revenues from the sale of general obligation and other bonds.

Figure 1 (top portion) and Table 2 depicts projected state revenues to all funds, by major source, for Fiscal Years 1998 and 1999. The percentages of revenues from all sources show a

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slight variance from Fiscal Year 1998 to Fiscal Year 1999. The percentages of revenue from income taxes, road taxes, sales taxes and fees, state lottery, and bond procedes decreased; the percentages of revenues and federal aid (and the grouping "all other") increased.

State revenues and appropriations (spending authority) are accounted for by assignment to various fund groupings. The general funds, the largest fund grouping, constitute the majority of appropriation authority.

Funding for Illinois schools is provided primarily through the "general funds" grouping of state revenue. This grouping includes the General Revenue Fund, the Common School Fund, the Education Assistance Fund, and the Common School Special Account Fund. Included in the revenue accounting of these general funds are the net proceeds from the Illinois State Lottery, which are deposited to the Common School Fund. (Refer to Table 1.) The major sources of revenue to the state's general funds are the sales tax, the income tax, the public utilities tax, and net lottery proceeds. The lower portion of Figure 1 and Table 2 shows by source the revenues of the state's general funds for Fiscal Year 1998 and an estimate of comparable revenues for Fiscal Year 1999.

As shown in Figure 1 and Table 2, the revenues of the general funds are projected to be $21.314 billion in Fiscal Year 1999, an increase of $1.330 billion over Fiscal Year 1998. Increases (in dollars) in both income taxes (7.982 to 8.280 billion) and sales taxes (5.274 to 5.520 billion) are shown from Fiscal Year 1998 to Fiscal Year 1999. However in both instances the proportional share declined year-over-year. For income taxes, the percentage declined from 39.94% to 38.85%. The decline for sales taxes was 26.39% to 25.90% (FY 98 actual and FY 99 estimated).

These data showing state revenue are based upon information provided by the Illinois Bureau of the Budget as of April 1999.

### State Lottery Proceeds

The proceeds of the Illinois State Lottery represent a significant source of state revenues. Approximately 35 percent of sales of the state lottery become net revenue for the state. In Fiscal Year 1999 lottery sales of $825 million generated approximately $540 million in net proceeds for state government. (A portion, approximatley 65%, of the gross proceeds from the lottery is used to make payments to prize winners and to cover administration).

The Illinois State Lottery was enacted in 1973. The first lottery proceeds were available in Fiscal Year 1975. Until mid-1985 lottery proceeds were deposited to the state's General Revenue Fund. As a result, lottery proceeds benefited education and other state-operated programs and services. A 1985 change in state law provided that all net lottery proceeds be deposited to the Common School Fund.

As a result of this 1985 legislation, all net lottery proceeds are dedicated solely to elementary and secondary education. This fact, however, has become a source of public confusion. Some Illinois citizens mistakenly believe that this shift in state accounting practices provided additional revenues to support education. This is not the case.

Prior to this 1985 change, a majority of spending from the Common School Fund was the result of transfers into the Common School Fund from the General Revenue Fund. With the 1985 change, the amount required from the General Revenue Fund to meet appropriations from the Common School Fund has been reduced by the available lottery proceeds. In short, this accounting change, while assuring that lottery proceeds are spent entirely on elementary and secondary education, has reduced reliance upon monies from the General Revenue Fund and simultaneously increased reliance on lottery proceeds for education spending.

The $540 million in lottery proceeds expected for Fiscal Year 1999 does clearly assist the state in funding elementary and secondary education.

Without this source of state operating revenue, the ability of Illinois to meet its funding obligations to education would be diminished. Lottery revenues represent about 9.55 percent of the state revenues supporting elementary and secondary education.

Table 1 provides a comparison of net lottery proceeds to total appropriations for elementary and secondary education from Fiscal Year 1975 to Fiscal Year 1999.

As shown in Table 1, net lottery proceeds do not always increase each year. In Fiscal Years 1991, 1993, 1994, 1997, 1998 and 1999, the net lottery proceeds were lower when compared to the prior fiscal year.

### Riverboat Gambling Act

The Riverboat Gambling Act (Senate Bill 572, Public Act 86-1029) became effective February 7, 1990. The Act imposes a "wagering tax" on the adjusted gross receipts received from gambling games authorized under the Act at the rate of 20 percent. One-fourth of this tax revenue (subject to appropriation by the General Assembly) is paid to the unit of local government designated as the "home dock" of the riverboat.

The General Assembly may also make appropriations from this source of revenue to the Department of Revenue and the Department of State Police for the administration and enforcement of this Act. The balance of the funds generated by this source of revenue is paid into the Education Assistance Fund (EAF). Any fines or penalties collected pursuant to this Act are also deposited into the EAF.

Approximately $8 million was deposited into the EAF in Fiscal Year 1992, $54 million in Fiscal Year 1993, $118 million in Fiscal Year 1994, $170.8 million in Fiscal Year 1995, $205 million in Fiscal Year 1996, and $185 million in Fiscal Year 1997. For Fiscal Year 1998 and Fiscal Year 1999, the figures are $170 million and $227 million respectively. Appropriations from the EAF may be for elementary and secondary education purposes (Section 18-19 of the School Code) or for higher education purposes.

### Other School Fund Revenues

In addition to lottery proceeds, revenues to the Common School Fund come from a variety of sources. One-fourth of the state share of revenues from the Retailers' Occupation and Use Tax (commonly referred to as the state sales tax) is deposited into the Common School Special Account Fund. Portions of the receipts from the Bingo Tax Act and the Cigarette Tax Act and of the revenues from the Telecommunications Act (interstate messages tax) are deposited to the Common School Fund.

Other sources of revenues earmarked for the Common School Fund exist, though most of these contribute only small amounts. An additional source of funding earmarked for school-related activity is derived from portions of drivers' license fees and license-related fines that are deposited into the Driver Education Fund to support drivers' education and safety programs.

### Uses of State Revenues

Myriad programs and services are supported by the revenues and appropriations of the State of Illinois. In addition to direct and contracted services such as public assistance, mental health, corrections, and highway construction and maintenance, the state provides a wide range of grants and reimbursements to units of local government, including school districts. The state also collects and distributes certain revenues on behalf of units of local government (local sales taxes and regional transportation taxes).

Across all funds, state government appropriations for spending in Fiscal Year 1999 total $38.162 billion, an increase from Fiscal Year 1998 of $2.305 billion, which is an increase of 6.4 percent. The Fiscal Year 1998 and Fiscal Year 1999 distributions of appropriations for all funds are shown in the left portion of Figure 2 and in Table 3.

Approximately $8.68 billion, or 24.21 percent, of the total state Fiscal Year 1998 appropriations across all funds is for elementary and secondary and higher educational purposes. The total for

Table 1

## Net Lottery Proceeds Compared to Total Appropriations for Elementary and Secondary Education Fiscal Years 1975 through 1999 ($ in millions)

| Fiscal Year | Total Appropriations | Net Lottery Proceeds Amount | Net Lottery Proceeds % of Total |
|---|---|---|---|
| 1999 | $5,654.43 | $540.00[a] | 9.55 |
| 1998 | 4,849.30 | 565.00 | 11.65 |
| 1997 | 4,307.10 | 590.20 | 13.70 |
| 1996 | 3,994.81 | 594.10 | 14.87 |
| 1995 | 3,792.65 | 588.30 | 15.51 |
| 1994 | 3,611.50 | 552.10 | 15.29 |
| 1993 | 3,475.40 | 587.40 | 16.90 |
| 1992 | 3,433.90 | 610.00 | 17.76 |
| 1991 | 3,499.60 | 590.00 | 16.86 |
| 1990 | 3,487.50 | 594.00 | 17.03 |
| 1989 | 3,000.10 | 586.10 | 19.54 |
| 1988 | 2,866.40 | 524.41 | 18.30 |
| 1987 | 2,985.40 | 553.06 | 18.53 |
| 1986 | 2,767.90 | 551.79 | 19.94 |
| 1985[b] | 2,427.90 | 502.83 | 20.71 |
| 1984 | 2,236.10 | 365.40 | 16.34 |
| 1983 | 2,103.20 | 216.30 | 10.28 |
| 1982 | 2,243.30 | 138.61 | 6.18 |
| 1981 | 2,328.10 | 90.35 | 3.88 |
| 1980 | 2,218.50 | 33.15 | 1.49 |
| 1979 | 2,128.90 | 32.63 | 1.53 |
| 1978 | 2,040.90 | 33.54 | 1.64 |
| 1977 | 2,000.60 | 43.63 | 2.18 |
| 1976 | 1,988.10 | 75.95 | 3.82 |
| 1975 | 1,631.00 | 55.19 | 3.38 |

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**Net Lottery Proceeds** are provided by the Illinois Bureau of the Budget and were updated April 1999

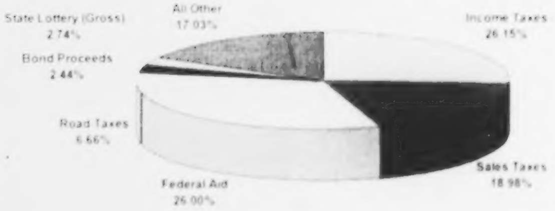
[a] Estimate

[b] Beginning FY 85, net lottery proceeds were deposited in to Common School Fund

# Figure 1
# ESTIMATED REVENUES BY SOURCE

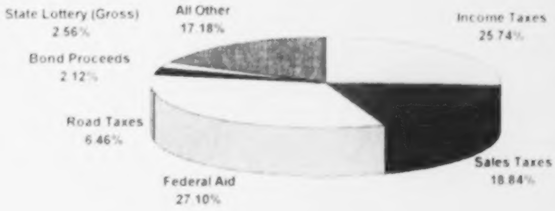
## ALL FUNDS BY SOURCE

### FY 98



**TOTAL: $30.526 Billion**
**(Actual)**

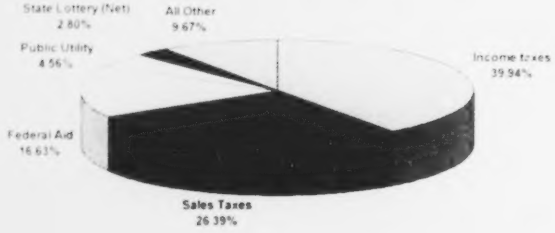
### FY 99



**TOTAL: $32.168 Billion**
**(Estimated)**

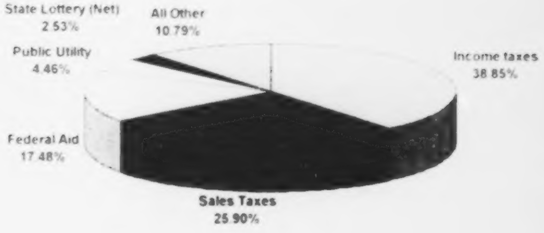
## GENERAL FUNDS BY SOURCE

### FY 98



**TOTAL: $19.984 Billion**
**(Actual)**

### FY 99



**TOTAL: $21.314 Billion**
**(Estimated)**

Source: Illinois Bureau of the Budget - April 1999

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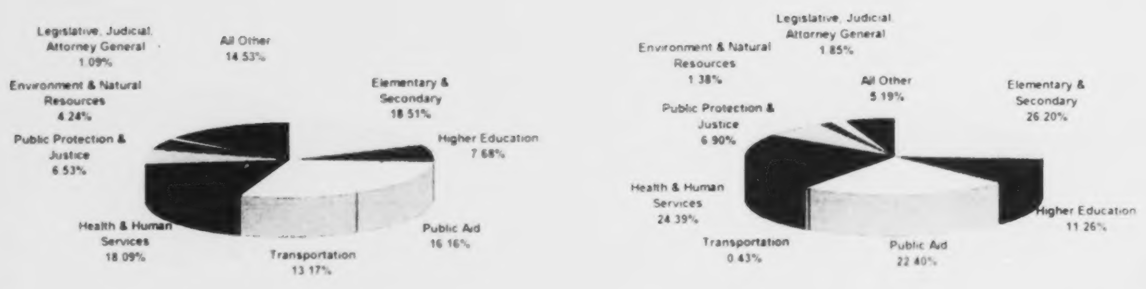
## Figure 2
## APPROPRIATIONS BY MAJOR PURPOSE

### FY 99

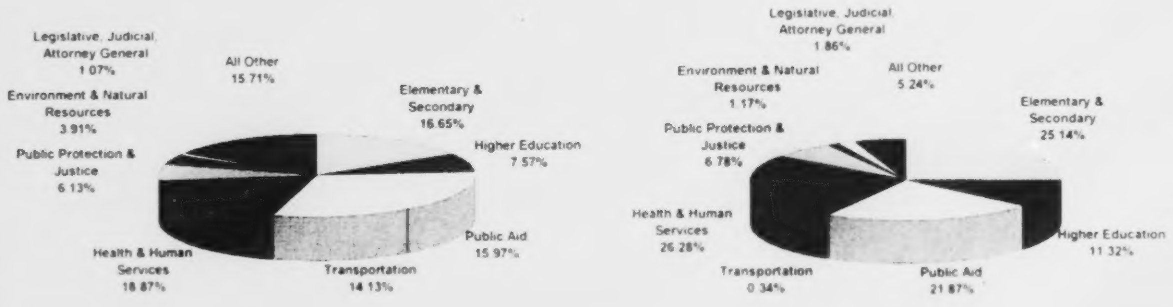
**All Funds** **General Funds**



**TOTAL: $38.162 Billion** **TOTAL: $19.780 Billion**

### FY 98

**All Funds** **General Funds**



**TOTAL: $35.857 Billion** **TOTAL: $18.345 Billion**

**Source: Illinois Bureau of the Budget - April 1999**

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**Table 2**

## ESTIMATED REVENUES BY SOURCE
## ($ in Millions)

**ALL FUNDS BY SOURCE**

| | FY 1998 | | FY 1999 | |
|---|---|---|---|---|
| Income Taxes | $ 7,982 | 26.15% | $ 8,280 | 25.74% |
| Sales Taxes | 5,795 | 18.98% | 6,060 | 18.84% |
| Federal Aid | 7,936 | 26.00% | 8,716 | 27.10% |
| Road Taxes | 2,033 | 6.66% | 2,079 | 6.46% |
| Bond Proceeds | 745 | 2.44% | 682 | 2.12% |
| State Lottery (Gross) | 836 | 2.74% | 825 | 2.56% |
| All Other | 5,199 | 17.03% | 5,526 | 17.18% |
| **Total** | **$30,526** | **100.00%** | **$32,168** | **100.00%** |

**GENERAL FUNDS BY SOURCE**

| | FY 1998 | | FY 1999 | |
|---|---|---|---|---|
| Income Taxes | $ 7,982 | 39.94% | $ 8,280 | 38.85% |
| Sales Taxes | 5,274 | 26.39% | 5,520 | 25.90% |
| Federal Aid | 3,323 | 16.63% | 3,725 | 17.48% |
| Public Utility | 912 | 4.56% | 950 | 4.46% |
| State Lottery (Net) | 560 | 2.80% | 540 | 2.53% |
| All Other | 1,933 | 9.67% | 2,299 | 10.79% |
| **Total** | **$19,984** | **100.00%** | **$21,314** | **100.00%** |

NOTE: FY 1998 amounts are actuals; FY 1999 amounts are current estimates.

Source: Data provided by Illinois Bureau of the Budget – April 1999

Table 3

## APPROPRIATIONS BY MAJOR PURPOSE

| 1998 | General Funds | % of Total | All Funds | % of Total |
|---|---|---|---|---|
| Elementary & Secondary | $4,612,222.7 | 25.14% | $5,968,995.7 | 16.646% |
| Higher Education | 2,076,034.8 | 11.32% | 2,713,019.3 | 7.566% |
| Department of Public Aid | 4,011,363.2 | 21.87% | 5,727,335.0 | 15.973% |
| Department of Transportation | 62,813.0 | 0.34% | 5,067,887.9 | 14.133% |
| Health & Human Services | 4,821,268.7 | 26.28% | 6,766,380.2 | 18.870% |
| Public Protection & Justice | 1,243,018.9 | 6.78% | 2,198,046.8 | 6.130% |
| Environment & Natural Resources | 214,884.2 | 1.17% | 1,400,621.8 | 3.906% |
| Legislative, Judicial, Attorney General | 341,735.2 | 1.86% | 382,357.7 | 1.066% |
| All Other | 961,975.8 | 5.24% | 5,632,749.4 | 15.709% |
| **Total** | **$18,345,316.5** | **100.00%** | **$35,857,393.7** | **100.000%** |
| Education | $6,688,257.5 | 36.46% | $8,682,015.0 | 24.213% |
| Department of Public Aid | 4,011,363.2 | 21.87% | 5,727,335.0 | 15.973% |
| Environment & Natural Resources | | | 1,400,621.8 | 3.906% |
| Public Protection & Justice | 1,243,018.9 | 6.78% | 2,198,046.8 | 6.130% |
| Health & Human Services | 4,821,268.7 | 26.28% | 6,766,380.2 | 18.870% |
| Department of Transportation | | | 5,067,887.9 | 14.133% |
| All Other | 1,581,408.3 | 8.62% | 6,015,107.1 | 16.775% |
| **Total** | **$18,345,316.5** | **100.00%** | **$35,857,393.7** | **100.000%** |

| 1999 | General Funds | % of Total | All Funds | % of Total |
|---|---|---|---|---|
| Elementary & Secondary | $5,182,902.0 | 26.20% | $7,062,096.2 | 18.506% |
| Higher Education | 2,226,847.4 | 11.26% | 2,928,778.9 | 7.675% |
| Department of Public Aid | 4,429,949.9 | 22.40% | 6,168,427.2 | 16.164% |
| Department of Transportation | 84,658.1 | 0.43% | 5,027,290.3 | 13.174% |
| Health & Human Services | 4,823,979.9 | 24.39% | 6,902,025.7 | 18.086% |
| Public Protection & Justice | 1,365,579.9 | 6.90% | 2,490,546.4 | 6.526% |
| Environment & Natural Resources | 273,810.5 | 1.38% | 1,619,961.3 | 4.245% |
| Legislative, Judicial, Attorney General | 365,406.4 | 1.85% | 417,648.5 | 1.094% |
| All Other | 1,026,486.8 | 5.19% | 5,544,968.4 | 14.530% |
| **Total** | **$19,779,620.9** | **100.00%** | **$38,161,742.9** | **100.000%** |
| Education | $7,409,749.4 | 37.46% | $9,990,875.1 | 26.180% |
| Department of Public Aid | 4,429,949.9 | 22.40% | 6,168,427.2 | 16.164% |
| Environment & Natural Resources | | | 1,619,961.3 | 4.245% |
| Public Protection & Justice | 1,365,579.9 | 6.90% | 2,490,546.4 | 6.526% |
| Health & Human Services | 4,823,979.9 | 24.39% | 6,902,025.7 | 18.086% |
| Department of Transportation | | | 5,027,290.3 | 13.174% |
| All Other | 1,750,361.8 | 8.85% | 5,962,616.8 | 15.625% |
| **Total** | **$19,779,620.9** | **100.00%** | **$38,161,742.9** | **100.000%** |

Source: Data provided by Illinois Bureau of the Budget – April 1999

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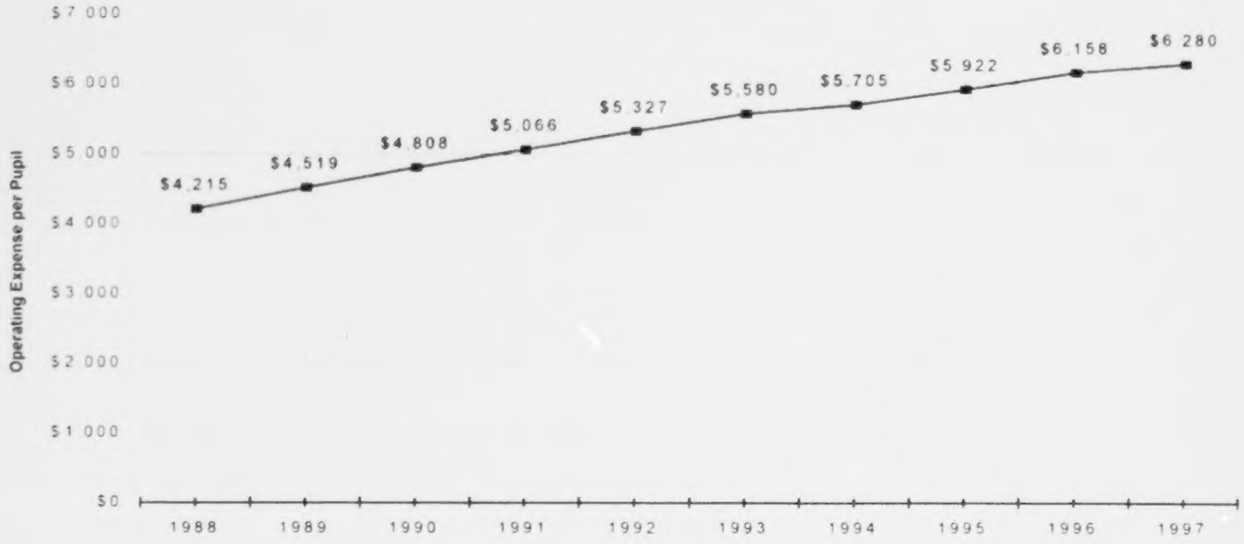
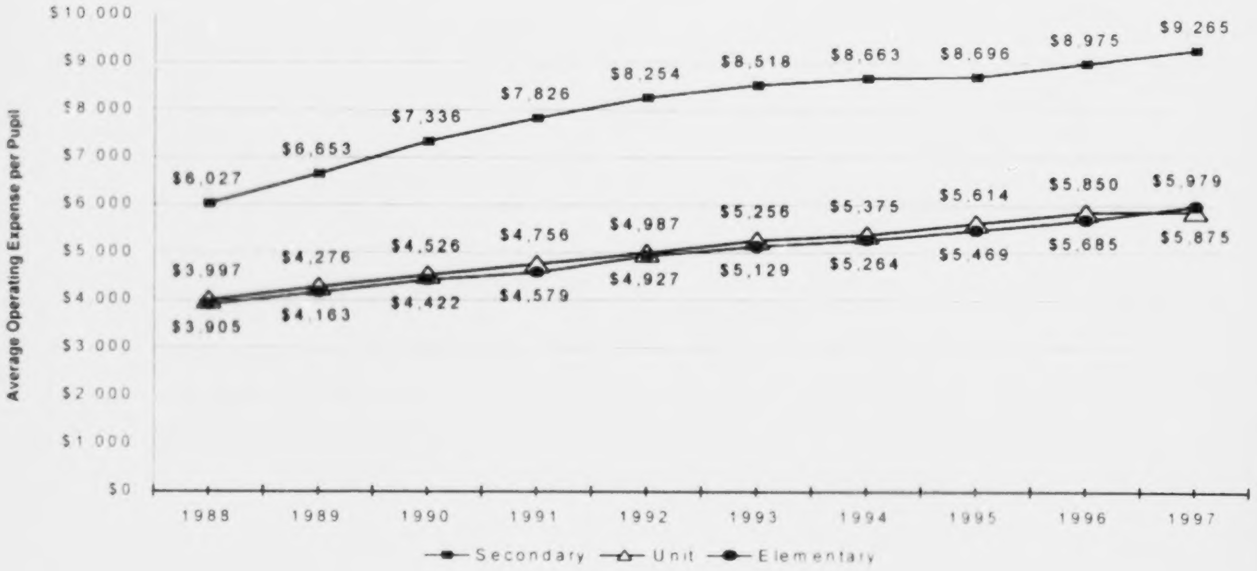
## Figure 3

### State Average Operating Expense per Pupil – FY88 to FY97



### Average Operating Expense per Pupil by Type of District – FY88 to FY97



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elementary and secondary education is $5.969 billion, or approximately 16.65 percent of all state appropriations. A comparison with Fiscal Year 1999 shows $9.99 billion of all appropriations for education from all funds (26.18%) and $7.062 billion (18.51) for elementary and secondary education. This total for both fiscal years includes federal education funds appropriated to the Illinois State Board of Education, as well as appropriations and reappropriations made to other state agencies.

The total (all funds) appropriations, reflected on the left side of Figure 2, support a wide variety of state government activities. A more traditional view of state government activities is represented by the operating budget of the state, reflecting the appropriations from the state's general funds. The right side of Figure 2 reflects appropriations from the general funds. The "general funds" are appropriated from the General Revenue Fund, the Common School Fund, and the Education Assistance Fund. Excluded from the general funds are the state's various capital building and transportation funds, activities associated with most debt service, certain state distributive aid, revolving funds and university income funds.

Figure 2 and Table 3 also provides comparative information on the appropriations from the state's general funds for various services. The Fiscal Year 1999 appropriation total of $19.780 billion for operating purposes and for elementary and secondary education represents an increase of some $1.435 billion (an increase of 7.82%) from the comparable Fiscal Year 1998 appropriations.

Since most education appropriations are from the state's general funds, education overall represents a larger share of the state's operating budget appropriations than of the total appropriations. Appropriations for all educational activity (higher education and common schools) are 37.46% percent of the General Funds appropriations for Fiscal Year 1999. Elementary and secondary education appropriations for Fiscal Year 1999 represent 26.20 percent of total general funds appropriations.

There are significant differences between the revenues shown in Figure 1 and appropriations shown in Figure 2 (and in Tables 2 and 3). These differences are largely attributable to interfund transfers and reappropriations. Table 2, Estimated Revenues by Source, 1998 and 1999, and Table 3, Appropriations by Major Purpose, 1998 and 1999, show data illustrated in Figure 1 and Figure 2. These data were provided by the Illinois Bureau of the Budget effective April 1999.

## Proportions of State, Local and Federal Education Funding

Table 4 depicts the support levels and the relative share of funding for public elementary and secondary education in Illinois from 1978-79 through 1998-99.

For most years, federal funding includes amounts unspent in prior years and reappropriated in the subsequent year. The state appropriation totals in Table 4 include certain projects and capital funds reappropriated from prior year(s). Additionally, state totals include amounts appropriated for educationally related purposes other than the operation of the common schools.

The local funds in Table 4 are further examined in Table 5. The local property tax figures in Table 5 represent approximations of available revenues. The figures in the column entitled "Property Tax Revenues" are tax extensions--the product of equalized assessed property values multiplied by the total tax rate as set by each district. These figures represent accrued revenues generated from the total tax rate of each district. Actual local property tax receipts for a given school district can be affected by tax distribution delays, protested tax payments, property assessment appeals, and tax revenues not paid to school districts as a result of Enterprise Zones or Tax Increment Financing areas. (Most school districts in Illinois operate on a cash basis of accounting.)

**Table 4**

## State, Local and Federal Receipts of Funds for the Common Schools 1978-79 through 1998-99 ($ in millions)

| Year* | State $ | Percent State | Local $[a] | Percent Local | Federal $ | Percent Federal | Total $ |
|---|---|---|---|---|---|---|---|
| 1998-99 | $5,654.4[b] | 36.34% | $8,470.1[c] | 54.44% | $1,434.3[d] | 9.22% | $15,559.0 |
| 1997-98 | 4,849.3 | 33.87 | 8,052.0 | 56.23 | 1,417.9 | 9.90 | 14,319.2 |
| 1996-97 | 4,307.1[e] | 32.70 | 7,700.9 | 58.47 | 1,152.9[e] | 8.83 | 13,170.9 |
| 1995-96 | 3,994.8 | 32.07 | 7,339.8 | 58.91 | 1,123.7 | 9.02 | 12,458.3 |
| 1994-95 | 3,792.6 | 32.38 | 6,841.0 | 58.40 | 1,080.6 | 9.22 | 11,714.2 |
| 1993-94 | 3,611.5 | 32.94 | 6,453.4 | 58.85 | 901.0 | 8.21 | 10,965.9 |
| 1992-93 | 3,475.4 | 33.37 | 6,078.1 | 58.35 | 862.9 | 8.28 | 10,416.4 |
| 1991-92 | 3,433.9 | 35.21 | 5,555.8 | 56.97 | 762.5 | 7.82 | 9,752.2 |
| 1990-91 | 3,499.6 | 37.72 | 5,060.7 | 54.54 | 718.7 | 7.75 | 9,279.0 |
| 1989-90 | 3,487.5 | 39.35 | 4,709.5 | 53.13 | 666.8 | 7.52 | 8,863.8 |
| 1988-89 | 3,000.1 | 37.75 | 4,308.3 | 54.21 | 639.4 | 8.04 | 7,947.8 |
| 1987-88 | 2,866.4 | 38.97 | 3,910.7 | 53.16 | 579.2 | 7.87 | 7,356.3 |
| 1986-87 | 2,985.4 | 41.81 | 3,634.9 | 50.91 | 519.8 | 7.28 | 7,140.1 |
| 1985-86 | 2,767.9 | 41.04 | 3,481.3 | 51.62 | 494.8 | 7.34 | 6,744.0 |
| 1984-85 | 2,427.9 | 39.16 | 3,323.0 | 53.59 | 449.6 | 7.25 | 6,200.5 |
| 1983-84 | 2,236.1 | 38.15 | 3,182.9 | 54.30 | 442.4 | 7.55 | 5,861.4 |
| 1982-83 | 2,103.2 | 38.11 | 2,974.4 | 53.89 | 441.3 | 8.00 | 5,518.9 |
| 1981-82 | 2,243.3 | 40.15 | 2,844.9 | 50.91 | 499.6 | 8.94 | 5,587.8 |
| 1980-81 | 2,328.1 | 43.13 | 2,595.9 | 48.10 | 473.4 | 8.77 | 5,397.4 |
| 1979-80 | 2,218.5 | 42.34 | 2,485.0 | 47.43 | 536.3 | 10.23 | 5,239.8 |
| 1978-79 | 2,128.9 | 43.86 | 2,298.0 | 47.34 | 427.0 | 8.80 | 4,853.9 |

---

[a] Includes local real property tax revenues as estimated by the total property tax extension of districts and Corporate Personal Property Replacement Funds for the years 1980-81 through 1997-98. For prior years, the total includes real and personal property tax revenues. Not included as local revenue are proceeds from the sale of bonds, investment income, sales of fixed assets and equipment, sales of food, and fees. These data are reported in Table 5 under the heading "Other Local Revenues."

[b] Appropriated amount, including reappropriations (see detail at the end of Part I).

[c] Estimate based upon most recent four-year average or preliminary EAVs and tax rates, plus estimated Corporate Personal Property Replacement Tax receipts beginning with 1980-1981.

[d] Appropriated amount, including reappropriations (see detailed table in Part II).

[e] Public Act 90-2, effective February 20, 1997, increased appropriations to the Capital Development Board by $2,370,000 from state funds. Public Act 90-3, effective February 20, 1997, increased appropriations to the State Board of Education by $155,000 from state funds and $9,881,600 from federal funds.

* Fiscal years and school years overlap with local tax years. The state and federal funds shown are on a school-year basis (June 30 year-end). Local revenues reflect a calendar-year basis. For example, the 1998-99 year includes actual state and federal appropriations for state Fiscal Year 1999 and an estimation of local revenues accruing to school districts during calendar (collection) year 1999. Local property tax receipts for 1998 are a function of property assessments and tax rates for tax year 1997.

Table 5

## Elementary and Secondary School Income from Local Sources ($ in millions)

| Tax Year | Collection Year | Property Tax Revenues[a] | CPP Replacement Fund | Other Local Revenues[b] | Total Regular Revenues[c] |
|---|---|---|---|---|---|
| 1997 | 1998 | $7,956.6[d] | $513.5[e] | N/A | $8,470.1 |
| 1996 | 1997 | 7,577.8 | $468.4 | 907.8 | 8,052.0 |
| 1995 | 1996 | 7,278.1 | 422.8 | 856.9 | 7,700.9 |
| 1994 | 1995 | 6,914.0 | 425.8 | 926.3 | 7,339.8 |
| 1993 | 1994 | 6,476.9 | 364.1 | 773.8 | 6,841.0 |
| 1992 | 1993 | 6,109.1 | 344.3 | 606.8 | 6,453.4 |
| 1991 | 1992 | 5,773.6 | 304.5 | 670.5 | 6,078.1 |
| 1990 | 1991 | 5,253.2 | 302.6 | 669.9 | 5,555.8 |
| 1989 | 1990 | 4,738.4 | 322.3 | 661.4 | 5,060.7 |
| 1988 | 1989 | 4,361.9 | 347.6 | 590.5 | 4,709.5 |
| 1987 | 1988 | 3,968.9 | 339.4 | 575.2[f] | 4,308.3 |
| 1986 | 1987 | 3,571.3 | 339.4 | 919.4 | 3,910.7 |
| 1985 | 1986 | 3,334.2 | 300.7 | 995.7 | 3,634.9 |
| 1984 | 1985 | 3,187 | 294.3 | 996.0 | 3,481.3 |
| 1983 | 1984 | 3,088 | 235.0 | 865.0 | 3,323.0 |
| 1982 | 1983 | 2,980 | 202.9 | 590.1 | 3,182.9 |
| 1981 | 1982 | 2,768 | 206.4 | 710.3 | 2,974.4 |
| 1980 | 1981 | 2,567 | 277.9 | 619.3 | 2,844.9 |
| 1979 | 1980 | 2,307 | 288.9 | 367.2 | 2,595.9 |
| 1978 | 1979 | 2,485 | [g] | 364.2 | 2,485.0 |
| 1977 | 1978 | 2,298 | [g] | 288.3 | 2,298.0 |

---

[a] For the tax years 1979 through 1996, this represents accrued revenue estimated from real property taxes only. For tax years prior to 1979, this represents estimated accrued revenue from real property taxes and Corporate Personal Property Taxes. Revenues are derived by multiplying the total tax rate times the applicable equalized assessed property base for the tax year.

[b] As reported to the State Board of Education by school districts on the Annual Financial Report. Information is not comparable to the "Property Tax Revenues" and "CPP Replacement Fund" columns. No data are available for the 1998-99 school year.

[c] "Total Regular Revenues" is the sum of "Property Tax Revenues" and "CPP Replacement Fund."

[d] Based upon preliminary 1997 EAVs and tax rates.

[e] Estimated payments to be made by the Illinois Department of Revenue for calendar year 1998.

[f] This apparent sharp reduction in Other Local Revenues is due to a change in reporting. Bond proceeds and interfund transfers, recorded as local revenues in prior years, were recorded and reported as Other Financing Sources beginning with Fiscal Year 1988.

[g] Reported with "Property Tax Revenues" prior to 1979.

**Table 6**

## Illinois Public School Districts by Type[a]
## 1978-79 through 1998-99

| School Year | Elementary Districts | Secondary Districts | Unit Districts | Total Districts[b] |
|---|---|---|---|---|
| 1998-99 | 385 | 104 | 408 | 897 |
| 1997-98 | 388 | 106 | 406 | 900 |
| 1996-97 | 392 | 107 | 405 | 904 |
| 1995-96 | 392 | 107 | 408 | 907 |
| 1994-95 | 395 | 110 | 410 | 915 |
| 1993-94 | 400 | 110 | 414 | 924 |
| 1992-93 | 406 | 111 | 415 | 932 |
| 1991-92 | 410 | 113 | 423 | 946 |
| 1990-91 | 415 | 114 | 424 | 953 |
| 1989-90 | 418 | 115 | 428 | 961 |
| 1988-89 | 422 | 117 | 433 | 972 |
| 1987-88 | 423 | 119 | 439 | 981 |
| 1986-87 | 428 | 122 | 443 | 993 |
| 1985-86 | 431 | 122 | 444 | 997 |
| 1984-85 | 433 | 124 | 448 | 1,005 |
| 1983-84 | 435 | 125 | 447 | 1,007 |
| 1982-83 | 435 | 125 | 448 | 1,008 |
| 1981-82 | 437 | 125 | 448 | 1,010 |
| 1980-81 | 438 | 125 | 448 | 1,011 |
| 1979-80 | 438 | 125 | 448 | 1,011 |
| 1978-79 | 438 | 125 | 448 | 1,011 |

---

[a] Includes two non-operating secondary districts.

[b] Does not include five state-operated school systems (the Department of Corrections school district, two state laboratory schools, the Illinois Mathematics and Science Academy, and the Illinois Department of Rehabilitation state schools).

Source: Fall Housing Enrollment Report, Research and Policy Division, ISBE.

Table 7

### Public and Nonpublic Pre-Kindergarten through Grade 12 Fall Pupil Enrollment[a] 1978-79 through 1998-99

| Year | Public | Nonpublic | Total |
|---|---|---|---|
| 1998-99[b] | 2,012,752 | 321,920 | 2,334,672 |
| 1997-98 | 1,996,184 | 321,406 | 2,317,590 |
| 1996-97 | 1,974,824 | 320,880 | 2,295,704 |
| 1995-96 | 1,948,089 | 323,438 | 2,271,527 |
| 1994-95 | 1,920,289 | 320,290 | 2,240,579 |
| 1993-94 | 1,898,494 | 317,102 | 2,215,596 |
| 1992-93 | 1,877,785 | 315,995 | 2,193,780 |
| 1991-92 | 1,843,394 | 315,247 | 2,158,641 |
| 1990-91 | 1,816,182 | 318,625 | 2,134,807 |
| 1989-90 | 1,792,356 | 322,666 | 2,115,022 |
| 1988-89 | 1,790,566 | 328,280 | 2,118,846 |
| 1987-88 | 1,806,357 | 332,033 | 2,138,390 |
| 1986-87 | 1,819,392 | 339,680 | 2,159,072 |
| 1985-86 | 1,821,278 | 348,994 | 2,170,272 |
| 1984-85 | 1,829,619 | 352,079 | 2,181,698 |
| 1983-84 | 1,849,045 | 352,518 | 2,201,563 |
| 1982-83 | 1,875,770 | 353,412 | 2,229,182 |
| 1981-82 | 1,919,111 | 353,259 | 2,272,370 |
| 1980-81 | 1,979,545 | 353,622 | 2,333,167 |
| 1979-80 | 2,038,912 | 353,066 | 2,391,978 |
| 1978-79 | 2,106,239 | 353,152 | 2,459,391 |

---

[a] Source: Fall Housing Enrollment Report, Research and Policy Division, ISBE.

[b] Estimate based upon projections made by the Illinois State Board of Education for grades Pre-K-12. This estimate assumes the number of preschool students in both public and nonpublic settings will remain constant.

Table 8

## Illinois Public School Finance Statistics[a]

| | District Type[b] | Per Capita Tuition Charge | Operating Expense per Pupil |
|---|---|---|---|
| **1996-97 AVERAGES** | Elementary | $5,341 | $5,979 |
| | Secondary | 8,648 | 9,265 |
| | Unit | 4,793 | 5,875 |
| | ALL DISTRICTS | 5,367 | 6,280 |
| | Chicago SD 299 (10 mos.) | 4,976 | 6,630 |
| **1995-96 AVERAGES** | Elementary | $5,101.73 | $5,684.88 |
| | Secondary | 8,341.05 | 8,975.09 |
| | Unit | 4,788.44 | 5,850.17 |
| | ALL DISTRICTS | 5,269.75 | 6,157.56 |
| | Chicago SD 299 | 5,362.76 | 7,102.20 |
| **1994-95 AVERAGES** | Elementary | $4,922.91 | $5,463.93 |
| | Secondary | 8,091.40 | 8,695.81 |
| | Unit | 4,649.54 | 5,613.79 |
| | ALL DISTRICTS | 5,108.05 | 5,922.40 |
| | Chicago SD 299 | 5,401.13 | 6,940.87 |
| **1993-94 AVERAGES** | Elementary | $4,697.08 | $5,263.64 |
| | Secondary | 8,030.63 | 8,663.31 |
| | Unit | 4,452.73 | 5,375.38 |
| | ALL DISTRICTS | 4,910.64 | 5,705.00 |
| | Chicago SD 299 | 5,111.54 | 6,525.25 |
| **1992-93 AVERAGES** | Elementary | $4,639.47 | $5,128.61 |
| | Secondary | 7,979.09 | 8,518.44 |
| | Unit | 4,349.49 | 5,256.05 |
| | ALL DISTRICTS | 4,821.70 | 5,579.50 |
| | Chicago SD 299 | 5,135.97 | 6,596.36 |

[a] The Operating Expense per Pupil and Per Capita Tuition Charge rankings by district type for each district are included in Section III of the *Illinois Public Schools Financial Statistics and Local Property Tax Data*, a separate State Board of Education publication which is disseminated annually.

[b] Elementary School Districts: Pre-K--8
Secondary (High) School Districts: 9--12
Unit School Districts: Pre-K--12

For tax years 1977 and 1978, the amounts in the column labeled "Property Tax Revenues" of Table 5 are the combined proceeds from corporate personal property taxes and real property taxes. Since 1979, with the abolition of the Corporate Personal Property Tax (CPPT), the state has collected the Corporate Personal Property Replacement Tax (CPPRT) and distributed these tax revenues by formula to school districts. The CPPRT revenues from 1979 forward are reflected in the column. Entitled "CPP Replacement Fund."

The column of Table 5 labeled "Other Local Revenues" shows local revenues of school districts that are reported to the Illinois State Board of Education as a component of the annual school district audit. These revenues include the income derived from the sale of bonds (for years prior to 1987-88) or the sale of property or equipment, investment income, income from school food services, and revenue generated through fees and assessments. The most recent data available are for the 1997-98 school year.

Since most school districts operate on a cash accounting basis and local receipts/revenues can be income generated from current or prior-year tax extensions, and because some of these data are derived from estimates and some are self-reported, revenues from local sources in a given fiscal year are impossible to validate. In addition, local revenues are not as readily comparable year to year as are state and federal revenues.

For comparative purposes, Table 4 depicts the relative share of state, local and federal funding using data in the column labeled "Total Regular Revenues" from Table 5 as the local share. This figure excludes "Other Local Revenues," as these funds are not the product of taxation and are not comparable from an accounting perspective to the revenues from property taxes and corporate personal property replacement taxes.

A separate, annual publication of the State Board of Education, *Illinois Public Schools Financial Statistics and Local Property Tax Data* reports local revenues for all school districts.

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## The Inflation Factor

The education community is often reminded that we are the primary consumers of state and local tax dollars. We are also reminded that since Fiscal Year 1976 the state has increased spending for elementary and secondary education by $3.66 billion, an increase of almost 184 percent. Spending from local property taxes and corporate personal property replacement taxes has increased by $6.613 billion, or 356 percent. Federal funding for elementary and secondary schools in Illinois has increased by $1.168 billion, or 438 percent.

On May 8, 1988, the Illinois Association of School Boards issued Bulletin #265, IASB Legislative Report with the heading "The Rest of the Story."

"The Rest of the Story--Updated"
Amount
(Dollars in Millions)

| Source of Funding | FY 76 | FY 99 | Increase $ | Increase % |
|---|---|---|---|---|
| State | $1,988.1 | $ 5,654.4 | $ 3,666.3 | 184.41% |
| Local | 1,856.8 | 8,470.1 | 6,613.3 | 356.17 |
| Federal | 266.5 | 1,434.3 | 1,167.8 | 438.20 |
| Total | $4,111.4 | $15,558.8 | $11,447.4 | 278.43% |

The sometimes unspoken, but increasingly more spoken, question is "What have you done with all that, money and why do you want/need more?"

[The adjustments for inflation to express amounts in "constant (1976) dollars" were based on the implicit price deflators for state and local government, consumption expenditures and gross investment provided by the Bureau of Economic Analysis (BEA) of the Department of Commerce. In January of 1996, the BEA released its comprehensive revision of the National Income and Product Accounts. The most important changes were a shift in emphasis from fixed-weighted to chain-weighted measures of output and prices, a change in the base year from 1987 to 1992, a new treatment for government expenditures, and a change in the way depreciation on physical capital is estimated. These changes are far too complex to explain in a few paragraphs. All of the inflation factors used in the sections that follow--except for 1976, which remains at 1.00--have been changed. These changes have resulted in changes in the calculated constant (1976) dollars for each year since 1976 and in all related calculations.]

In summary, an examination of the raw numbers tells only part of the story and the most important element is left out of the analysis. The impact of inflation—the purchasing power of 1999 dollars adjusted for inflation—give a more accurate picture of available resources for elementary and secondary education.

### State Funding

Since Fiscal Year 1976, state funding for elementary and secondary education has increased from $1.99 billion to $5.65 billion. That appears to be a significant amount of growth. When adjusted for inflation, however, a very different picture emerges. The purchasing power of the 1976 dollars has increased slightly to $2.07 billion, an increase of only 4%. In other words, the $5.65 billion of state money appropriated for Fiscal Year 1999 will only purchase $2.07 billion worth of goods and services when adjustment is made for inflation. (Refer to Figure 4 and Table 9.)

### Local Funding

During the same period of time, local funding for elementary and secondary education has increased from $1.86 billion to $8.47 billion, or slightly more than 356 percent. When applying the same adjustment for inflation as used for state funding, the $8.47 billion converts to $3.09 billion in purchasing power. In terms of constant (1976) dollars, spending from local sources increased by $1.23 billion, or slightly greater than 66 percent. (Refer to Figure 5 and Table 4.)

### Federal Funding

Between 1976 and 1999, federal funding has increased from $0.27 billion to $1.43 billion, or more than 438 percent. When adjusted for inflation, the $1.43 billion in 1999 has $0.52 billion of purchasing power. This represents an increase of 92.6 percent. (Refer to Figure 6 and Table 4.)

### Total Funding

Total funding for elementary and secondary education has increased from $4.11 billion in Fiscal Year 1976 to $15.56 billion in Fiscal Year 1999, an increase of about 278 percent. When adjusted for inflation, however, the increase is only from $4.11 billion to $5.68 billion, or slightly over 38 percent. (Refer to Figure 7 and Table 4.)

### Inflation and Per-Pupil Appropriation

The preceding information has been challenged as not telling the entire story. Enrollment in Illinois public schools has fluctuated year over year and has decreased overall from 2,265,570 in School Year 1975-76 to an estimated 2,011,530 in School Year 1998-99. State appropriations per pupil in current dollars total $2,811.04 (based on estimated 1998-99 enrollment). However, in terms of constant dollars, per-pupil state appropriations are estimated at $1,026.85. As measured by constant dollars, this represents an increase of only 15.54% from School Year 1975-76 to School Year 1998-99. These data are presented in Table 9.

**FIGURE 4**

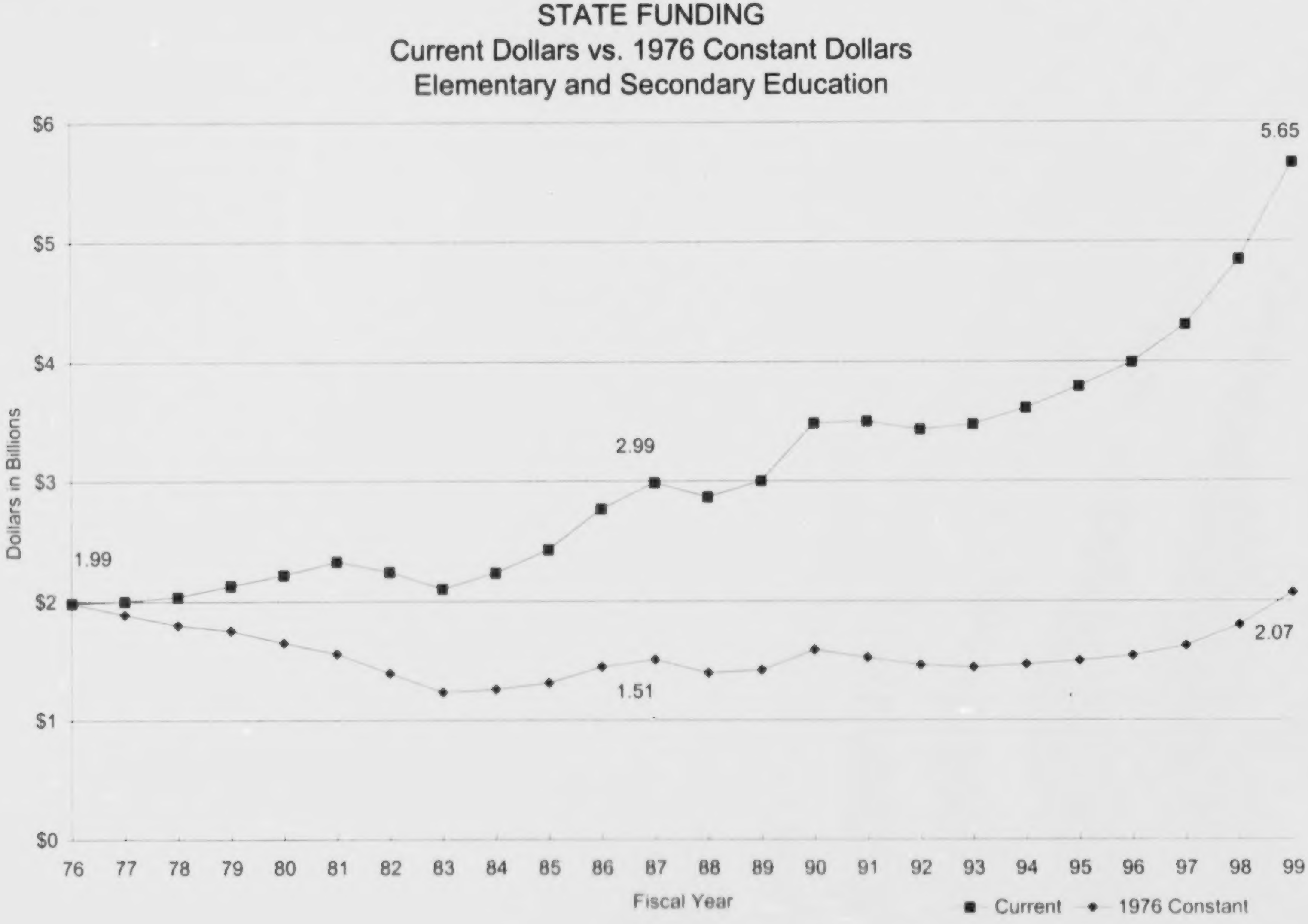

STATE FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education
$6
$5
$4
$3
$2
$1
$0
Dollars in Billions
5.65
2.99
1.99
2.07
1.51
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
Fiscal Year
Current
1976 Constant

FIGURE 5

LOCAL FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education

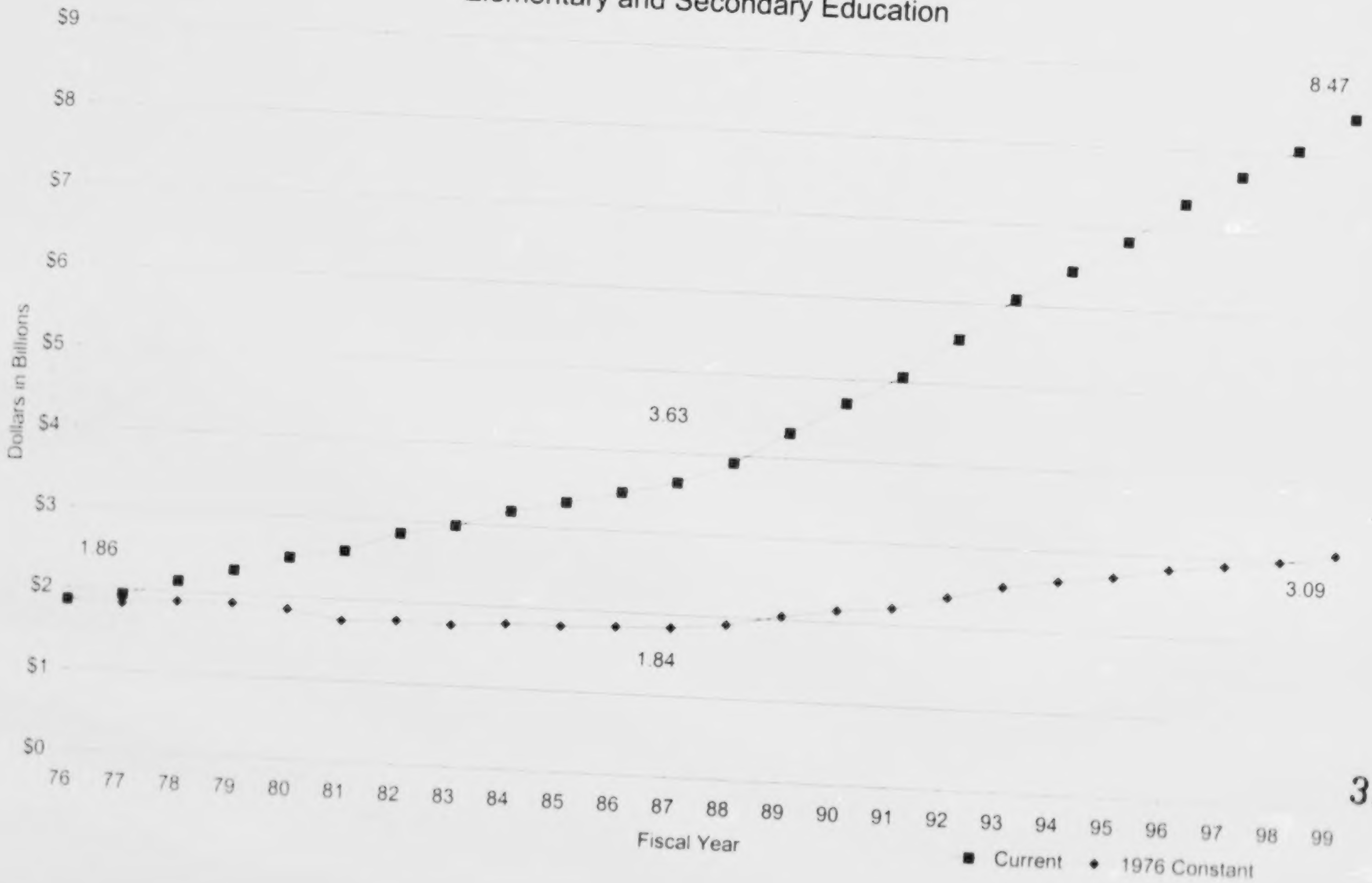
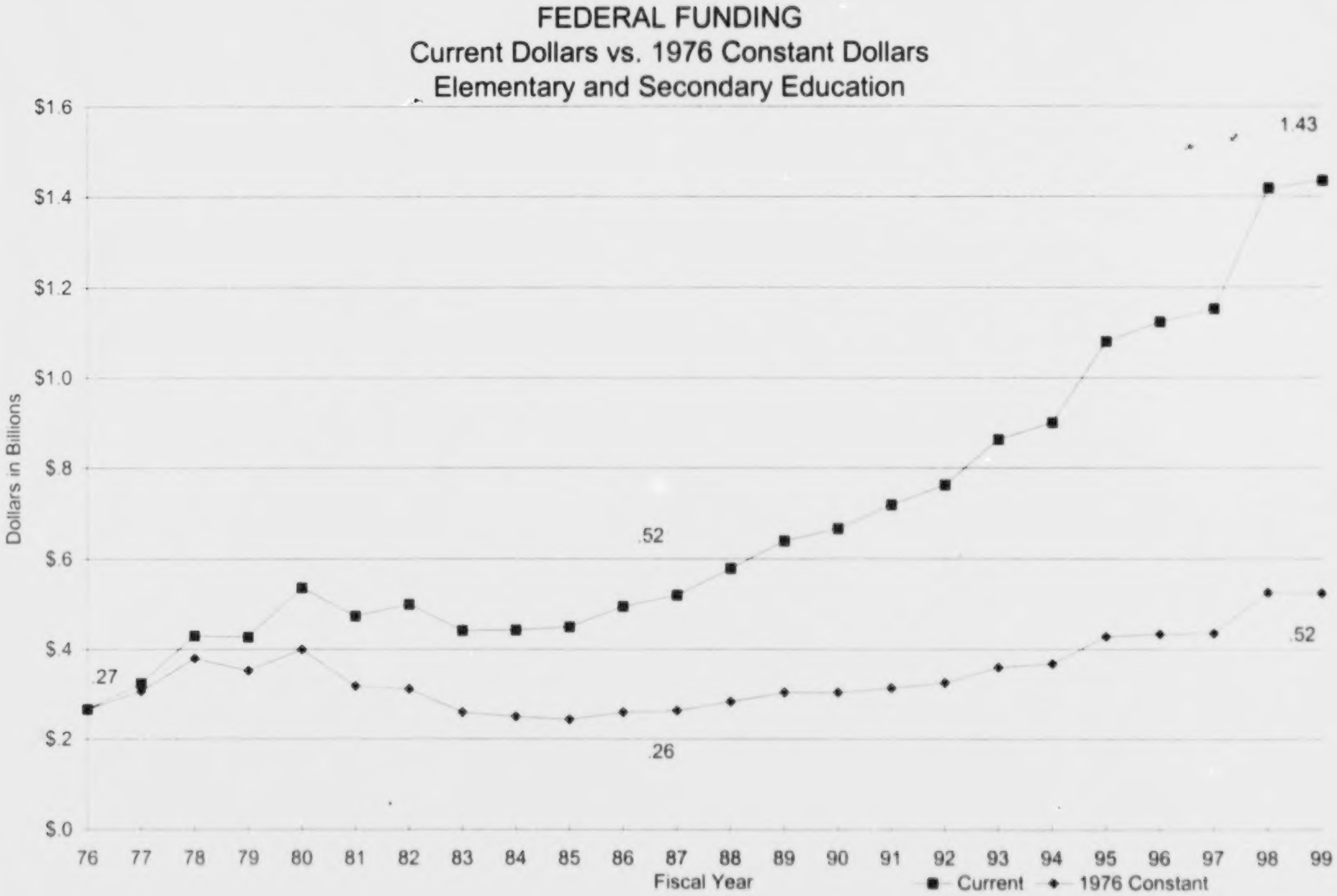
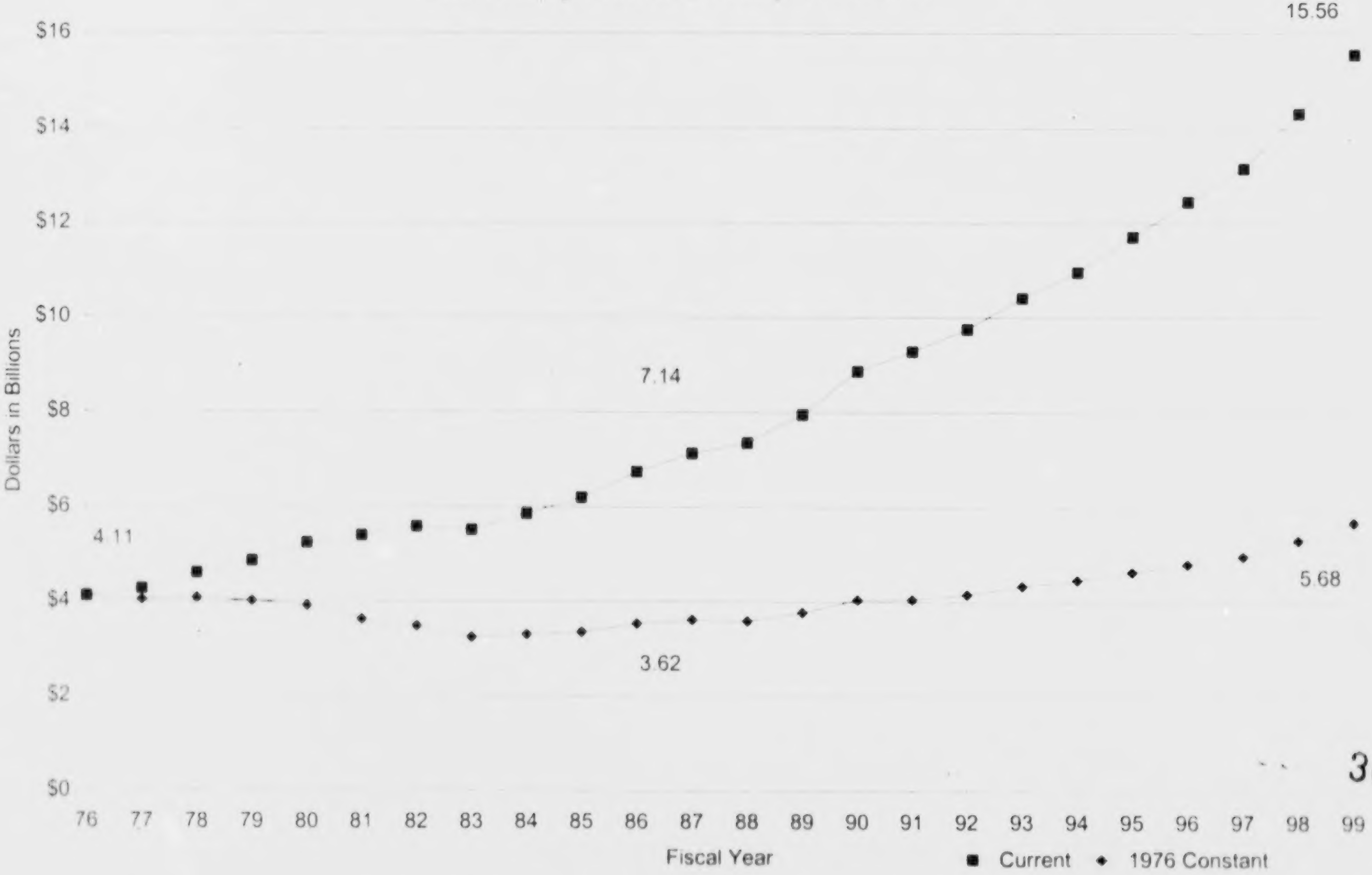


**FIGURE 6**



FEDERAL FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education

**FIGURE 7**



TOTAL FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education

**Table 9**

## State Appropriations per Pupil Enrolled, Current Dollars and Constant Dollars
## Fiscal Years 1976 through 1998

| Fiscal Year | State Appropriations | | Fall Enrollment | State Appropriations per Pupil Enrolled | | % Change in Constant Dollars per Pupil Enrolled |
|---|---|---|---|---|---|---|
| | Current Dollars[a] | Constant (1976) Dollars[a] | | Current Dollars | Constant Dollars | |
| 1976 | $1,988,100 | $1,988,100 | 2,265,570 | $ 877.53 | $877.53 | 0.00% |
| 1977 | 2,000,600 | 1,889,712 | 2,234,100 | 895.48 | 845.85 | -3.61 |
| 1978 | 2,040,900 | 1,802,613 | 2,179,282 | 936.50 | 827.16 | -2.21 |
| 1979 | 2,128,900 | 1,756,214 | 2,106,239 | 1,010.76 | 833.82 | +0.81 |
| 1980 | 2,218,500 | 1,652,366 | 2,038,912 | 1,088.08 | 810.42 | -2.81 |
| 1981 | 2,328,100 | 1,561,016 | 1,979,545 | 1,176.08 | 788.57 | -2.70 |
| 1982 | 2,243,300 | 1,396,990 | 1,919,111 | 1,168.93 | 727.94 | -7.69 |
| 1983 | 2,103,200 | 1,237,133 | 1,875,770 | 1,121.25 | 659.63 | -9.40 |
| 1984 | 2,236,100 | 1,261,637 | 1,849,045 | 1,209.33 | 682.32 | +3.46 |
| 1985 | 2,427,900 | 1,313,202 | 1,829,619 | 1,326.99 | 717.74 | +5.19 |
| 1986 | 2,767,900 | 1,449,686 | 1,821,278 | 1,519.76 | 795.97 | +10.90 |
| 1987 | 2,985,400 | 1,511,970 | 1,819,392 | 1,640.88 | 831.03 | +4.40 |
| 1988 | 2,866,400 | 1,399,193 | 1,806,357 | 1,586.84 | 774.59 | -6.79 |
| 1989 | 3,000,100 | 1,424,076 | 1,790,566 | 1,675.50 | 795.32 | +2.68 |
| 1990 | 3,487,500 | 1,589,251 | 1,792,356 | 1,945.76 | 886.68 | +11.49 |
| 1991 | 3,499,600 | 1,526,323 | 1,816,182 | 1,926.90 | 840.40 | -5.22 |
| 1992 | 3,433,900 | 1,463,987 | 1,843,394 | 1,862.81 | 794.18 | -5.50 |
| 1993 | 3,475,400 | 1,448,011 | 1,877,785 | 1,850.80 | 771.13 | -2.90 |
| 1994 | 3,611,500 | 1,483,107 | 1,898,494 | 1,902.30 | 781.20 | +1.31 |
| 1995 | 3,792,600 | 1,521,910 | 1,920,289 | 1,975.02 | 792.54 | +1.45 |
| 1996 | 3,994,800 | 1,551,385 | 1,948,089 | 2,050.62 | 796.36 | +0.48 |
| 1997 | 4,307,100 | 1,606,778 | 1,974,824 | 2,181.00 | 813.63 | +2.17 |
| 1998 | 4,849,300 | 1,774,091 | 1,996,184[b] | 2,429.29[b] | 888.74[b] | +9.23[b] |
| 1999 | 5,654,500 | 2,065,531 | 2,011,530 | 2,811.04 | 1,026.85 | +15.54 |

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[a] In thousands of dollars

[b] 1998-99 enrollment is estimated, enrollment for all other years is actual and is reported via Fall Housing Enrollment

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# PART I

## State Education Programs

A wide range of educational services, many required by state or federal statutes, are provided in Illinois public schools. State revenues supporting public school programs are appropriated annually by the Illinois General Assembly and enacted into law with the approval of the governor. Appropriations for non-capital grants and payments to public schools are made to the State Board of Education from the state Common School Fund, the Education Assistance Fund, the General Revenue Fund and the Driver Education Fund. Appropriations are also made from the state's Corporate Personal Property Replacement Tax Fund, resulting in disbursements by the Illinois Department of Revenue directly to school districts.

Illinois law allows three different types of public school districts. Elementary districts provide schooling for pre-kindergarten through grade 8 students. Secondary (high school) districts serve students in grades 9 through 12. Unit districts are organized to serve students at all grade levels. Most secondary districts serve geographic areas that include multiple elementary districts. When this situation occurs, the term "dual district" is used to describe the organizational format.

This part summarizes funding information about separate programs or categories of state assistance to elementary and secondary schools.

### INITIATIVES - STATE GENERAL FUNDS

The initiatives and services identified in this section are supported through state general funds – Educational Assistance, Common School, and General Revenue. The following narratives provide a brief description of each initiative's purpose.

### ADMINISTRATION - ILLINOIS PURCHASED CARE REVIEW BOARD

This program is authorized by Section 14-7.02 of the School Code. The Illinois Purchased Care Review Board is composed of all state agencies that place children and youth with disabilities for care, treatment and educational purposes in approved private placements. The staff serving the Board evaluate costs and propose rates based upon agency cost and program regulations for special education services provided by private schools. School districts that place such children and youth may pay only up to the approved cost level for tuition and room and board.

Approximately 222 private school tuition rates and 127 residential rates are set annually by the Illinois Purchased Care Review Board. All students placed in private facilities by school districts must be placed in facilities that are approved by the Illinois State Board of Education and have rates set by the Illinois Purchased Care Review Board. Approximately 6,500 students are placed annually by public schools in private placements for a total of 1,184,982 enrollment days. The Fiscal Year 1999 state funding level of $160,000 provides expenditures for part of the operations of the Illinois Purchased Care Review Board. The remaining operational costs are paid from federal funds.

### ADMINISTRATION - LIABILITY INSURANCE

Liability insurance is authorized by Section 2-3.124 of the School Code, as amended by P.A. 90-548. The purpose is to provide liability insurance for all certificated employees of school districts, joint agreements and similar educational entities in such amounts and for such purposes as stated in Section 2-3.124 in order to protect these employees against liability claims arising out of their official duties. The population served is all certificated employees of school districts, joint agreements, and similar educational entities as described in Section 2-3.124. Funds are awarded based upon a competitive request for proposals process. The Fiscal Year 1999 funding level of $3,000,000 provides liability insurance for all certificated employees of school districts.

## ADMINISTRATORS' ACADEMY

The Admistrators' Academy is authorized by Section 2-3.53 of the School Code. The purpose of the Academy is to establish a statewide, regionally based program to provide professional development opportunities for school administrators. The primary activity of the Administrators' Academy is to train administrators in the evaluation of certified personnel, school improvement and school accountability. Additional training includes professional development courses in instructional leadership. The population served includes all elementary and secondary school administrators in Illinois. Approximately 9,400 administrators are eligible for Administrators' Academy services.

Entitlement grants are distributed to 44 Regional Offices of Education (ROE) and four Intermediate Service Centers (ISC), of which one ISC is Chicago District #299. The Fiscal Year 1999 funding level of $858,000 supports training of administrators in teacher evaluation, instructional leadership and administrative skill development with special emphasis on school improvement.

## ADULT EDUCATION PROGRAMS

The Adult Education Programs are authorized by Section 10-22.20 of the School Code and provide funds to public schools, community colleges and community-based organizations to support programs that promote adult literacy. Raising the adult literacy rate makes parents and adult caregivers better able to help their children, ensuring that every Illinois student reads with understanding and proficiency. The programs under the Adult Education title include:

Adult Education – State Program ($7,277,200) serves adults over the age of 16 who lack basic skills in reading and computation and who are not enrolled in school. Funds may be used for GED preparation or to offer courses in basic education, secondary level vocational education, life-coping skills, and English as a second language. Funds are also provided for the coordination of workplace and family education programs, as well as volunteer literacy programming.

Adult Education – Public Assistance Support Program ($10,068,200) serves individuals with low basic academic skills who receive public assistance. These funds encourage public schools and community college districts to initiate and/or maintain courses of study that enable public assistance recipients (adults and youth) whose schooling has been interrupted to obtain an elementary equivalency or a high school diploma or equivalency certificate. This program enables welfare recipients to learn English as a second language or obtain citizenship. Funds can also be used to provide family educational activities, vocational skills training and job skills programs to enable adults to become more employable as required by the welfare reform legislation.

Adult Education – State Performance Program ($9,000,000) provides financial incentives and support to local adult education and literacy programs based on performance, specifically student-focused outcomes.

The Adult Education Programs are linked to other federal and State Adult Education appropriations to provide comprehensive services at the local level. The programs serve approximately 125,000 adults, who receive services from the combined federal and state adult education funds through 125 local programs provided by local education agencies, community colleges and community-based organizations.

## AGRICULTURAL EDUCATION

Agricultural Education is authorized by Section 2-3.80 of the School Code. These funds provide assistance to school districts in developing comprehensive programs in agricultural literacy, K-Adult and agricultural career preparation. General awareness or literacy programs serve to educate the general public about agriculture to enhance the development of informed consumers. At the elementary level, this effort is coupled with reinforcing the Illinois Learning Standards, particularly in the area of Science. Agricultural education at the secondary level prepares students for employment in the agricultural industry or for further education.

In FY99, approximately 17,898 secondary and 4,023 post-secondary students are served in agricultural education programs. Approved Agricultural Education programs are operating in 296 high schools, 20 community colleges and four universities. Districts/universities with approved agricultural education programs are eligible to participate in the incentive funding grant process.

Approximately one-half of the funds flow directly to local secondary districts through the Education for Employment regional delivery systems as incentive funds to maintain and/or improve agricultural education programs. The remaining funds are granted to local education agencies through an RFP process for priority statewide initiatives identified in cooperation with the Illinois Committee for Agricultural Education (ICAE), a state agricultural education advisory committee appointed by the governor.

Funds are provided to continue improvement of the quality of agricultural education programs in Illinois. The following are examples of agricultural education activities: Facilitating Coordination in Agricultural Education (FCAE) project, incentive grants coordinated through the Education for Employment regional systems, instructional materials and professional development activities, a comprehensive statewide teacher inservice program, model program grants, expansion of agri-science-integrated educational kits, survey (assessment) of agricultural programs, expansion of agriculture awareness programs, K-Adult revision of the Illinois Core Curriculum for Agricultural Education, integration of instructional and communications technology into the classroom and others. The funding level for Fiscal Year 1999 was $1,500,000.

## ALTERNATIVE LEARNING/REGIONAL SAFE SCHOOLS

Alternative Learning/Regional Safe Schools are authorized by Public Act 89-383. The Regional Safe Schools Program is one component of Alternative Learning. Citation 105 ILCS 5/13A allows Regional Offices of Education, Educational Service Centers in Cook County, and the Chicago Public Schools to provide services to students who have engaged in gross misconduct that meets the criteria for their expulsion or suspension from school. The purpose of the Regional Safe Schools Program is to provide an alternative learning environment for these students that meets their particular needs. This in turn increases the safety within regular schools serving to enhance that learning environment. The appropriation provides academic instruction, counseling, behavior modification, aggression therapy, conflict resolution, work-based learning, and community service to 6,000 students in 127 sites statewide.

Funds are awarded based on a two-part formula calculation. The first establishes a foundation level for each Regional Office of Education and Intermediate Service Center. The remaining balance of funds is awarded to each Regional Office and Service Center based on the average daily attendance for districts in the area compared to all other regional areas. The funding level ensures that a statutory change permitting 1% of the funds to be used for statewide staff development will not result in a decrease in the amount of funds supporting program offerings. In FY98, the Regional Safe

Schools Program served 4,631 students; 75% of these students were suspension-eligible, while 22.9% of the students were expulsion-eligible. Over 83% of the students enrolled in the program showed a positive outcome. Sixty-three percent of students demonstrated improved behavior, 19% of the students served returned to their home school, 313 graduated from elementary school, 249 graduated from high school, 27 received their GED certificate and 40 enrolled in postsecondary training. Performance will be measured annually by these criteria. The funding level for Fiscal Year 1999 was $15,000,000.

## ARTS PLANNING FOR GRADES K-6

The Arts Planning for Grades K-6 program is authorized by Section 2-3.65 of the School Code. The purpose of these grants is to improve teaching and learning in the fundamental learning area of Fine Arts and to improve student achievement relative to the Illinois Learning Standards. The funds can be used for professional development, curricular materials, arts consultants and other expenses related to the development of a comprehensive arts education program within a school. The grants enable local personnel to demonstrate leadership in organizing, planning and implementing model programs. This information can then be used to assist other schools. Also, in these grants, teachers become partners with the arts consultants in building new curriculum, teaching strategies and delivery systems for arts education, including approaches to integrating the arts into existing curriculum frameworks. Parents and other community members often become involved in this process through outreach activities.

All unit and elementary districts are eligible to participate. In FY97, 32 planning projects were funded; in FY98, 27 planning projects were funded; and in FY99, 23 planning projects were funded. Funds are awarded on a competitive basis through a request for proposal process. Funds can be used for professional development, curricular materials, arts consultants and other expenses related to the development of a comprehensive arts education program within a school. The funding level for Fiscal Year 1999 was $499,700.

## BILINGUAL ASSESSMENT PROGRAM

The Bilingual Assessment Program is authorized by Section 2-3.64(a) of the School Code. Students who are enrolled in state-approved bilingual education programs for less than three academic years are not required to participate in the Illinois Goal Assessment Program; however, the law requires that an alternative assessment be administered to these students. The State Board has developed IMAGE--Illinois Measure of Annual Growth in English to fulfill the legislation. Beginning in 1997 this test of English proficiency in reading and writing has been administered annually to students in grades 3 through 11 enrolled in state-approved bilingual education programs for less than three academic years. Testing will continue on an annual basis.

IMAGE is administered to all eligible students identified in the Bilingual Census and served in Transitional Bilingual Education (TBE) and Transitional Program of Instruction (TPI) programs. In 1999, approximately 32,000 students participated in IMAGE testing. Funds are awarded on a competitive basis through a request for proposal process. The Fiscal Year 1999 funding level of $600,000 supports the development of the English Language Proficiency tests, printing, distribution, administration, retrieval, scanning, report distribution, and scoring of the essay portion of the test.

## BILINGUAL EDUCATION - CHICAGO/ DOWNSTATE

Bilingual Education – Chicago/Downstate is authorized by Article 14C of the School Code. The purpose of transitional bilingual education (TBE) is to insure that students of limited-English proficiency have the opportunity to develop English skills to a proficiency level that enables them to participate in the general school program. School districts with 20 or more students who speak the same language in one school are required to provide a transitional bilingual program--consisting of English as a Second Language and native language instruction in the content areas. Schools with fewer than 20 such students in one school are required to provide a Transitional Program of

Instruction (TPI) which requires English as a Second Language and native language instruction to the extent practical.

Chicago serves about 58 percent of the students; the remaining 42 percent are served in downstate districts located primarily in the northern half of the state. Of the students served, approximately 80% are Spanish-speaking; the balance speaks one of more than 95 other languages.

In FY99, Chicago programs have enrolled an estimated 71,068 students: 65,477 in TBE programs and 5,591 in TPI programs. For downstate, an estimated 51,511 students are enrolled: 36,442 in TBE programs and 15,069 in TPI programs. Service levels as reported by districts in the program applications are Chicago – 70,036 and Downstate – 51,511, for a total of 121,547 students served.

Reimbursement is made quarterly on a current-year basis to schools with approved bilingual programs. The amount of each district's grant is influenced by the size of the student population, location of eligible students in the district, number of languages to be served, and the grade levels of eligible students. The Fiscal Year 1999 funding level of $55,602,000 is used to pay for teachers, purchase appropriate materials, and otherwise support required activities.

## CAREER AWARENESS & DEVELOPMENT

Career awareness and development is one of the primary components in Illinois' Education-to-Careers system. This program helps students make a smooth transition from education to the workplace by providing opportunities for students to identify their interests, goals, aptitudes and abilities; to explore the world of work; and to develop decision-making and life-planning skills. This program serves elementary school students throughout the state. Approximately 446 school districts and 115 separate elementary buildings in Chicago Public School District 299 are impacted. Staff development will be provided to 1,700 instructors, 290 counselors and 160 administrators.

Formula-driven grants are available to Regional Offices of Education and Intermediate Service Centers. The Fiscal Year 1999 funding level of $1,117,800 provides opportunities for teachers of 4th – 8th grades to learn about career development, and how to visit businesses that will demonstrate how the learning standards are used, and to learn how to plan integrated classroom experiences that prepare students with the skills needed for career planning.

## COMMUNITY/RESIDENTIAL SERVICES AUTHORITY

Community/Residential Services Authority is authorized by Section 14-15.01 of the School Code. The Community and Residential Services Authority (for behavior disordered/emotionally disturbed youth) is responsible for developing a coordinated interagency approach to providing services for this population, including the development and maintenance of an interagency dispute resolution process.

The Authority staff are involved with over 400 individual cases in FY99. Community collaboratives, e.g., Local Area Networks (LANs), are continuing to address greater numbers of children and families in need. The Authority has recouped approximately $100,000 in federal revenue since 1993 through Medicaid Administrative Case Management Services. Medicaid reimbursement is expected to continue at approximately 6%-7% of the Authority's annual budget. The Fiscal Year 1999 funding level of $345,000 assures statewide operations for the Authority to meet statutory mandates.

## CONSUMER EDUCATION PROFICIENCY TEST

The Consumer Education Proficiency Test is authorized by Section 27-12.1 of the School Code, which requires high school students to obtain specific consumer knowledge and awareness. A 1985 change in the law permits students to be excluded from mandated consumer education courses upon passage of a state-developed proficiency exam.

The Consumer Education Proficiency Test provides an opportunity for competent students to demonstrate their knowledge of consumer education topics and their ability to make sound decisions as consumers. As a result, their attainment of a high score on the test frees them from the redundant requirement of taking a high school consumer education course and allows them to pursue other academically appropriate courses.

The population eligible to be served includes students in grades 9 through 12. During FY99, a potential 570,000 students in grades 9 through 12 are eligible to take the Consumer Education Proficiency Test. An estimated 35,000 students request to take the test annually.

The FY99 expenditures included contracting with a third party for continuing development of the consumer education item bank that will be used in revising the test in subsequent years, as well as associated technical assistance, advisory functions and nominal administrative costs. The Fiscal Year 1999 funding level of $150,000 allows for ongoing development of new test items and continued state administration of the program.

## CRIMINAL BACKGROUND INVESTIGATION

The Criminal Background Investigation program is authorized by 105 ILCS 5/10-21.9 and 625 ILCS 5/6-106.1. The purpose of this program is to provide financial assistance to local districts to pay for the criminal background investigations of staff including teachers and school bus drivers.

All districts are eligible to participate in the program. Claims for reimbursement under the Criminal Background Investigation allocation will be paid during July/August. The funding level for Fiscal Year 1999 was $509,900.

## DISTRICT CONSOLIDATION/ANNEXATION COSTS

The District Consolidation/Annexation Costs initiative is authorized by Sections 18-8 A.5.(m), 18-8.2, 18-8.3, & 18-8.5 of the School Code. The purpose of this initiative is to provide financial incentives to school districts that have reorganized recently, either by consolidation or annexation. These incentives are:

- Supplemental state aid payments for four years to a new or annexing district.
- Supplementary state support for four years for new districts to pay the difference in salaries.
- Difference between any negative fund balances among the previously existing districts.
- Additional funds per each certified staff person.

For FY99, 12 consolidated/annexing districts were provided funds. The appropriation of $6,000,000 is based upon known second-and third-year payments and additional needs based on known or likely reorganizations through the summer of 1999.

## EARLY CHILDHOOD ADMINISTRATION

The purpose of the Early Childhood Administration program is to support the administrative responsibilities of the Early Childhood Block Grant. ISBE administers new and continuing early childhood education programs located in more than 750 school districts and agencies in every county in Illinois. Administrative responsibilities of ISBE staff include RFP preparation, proposal review and recommendations, budget negotiation and approval, and ongoing fiscal oversight and programmatic technical assistance through on-site visits throughout the year. The Fiscal Year 1999 funding level of $508,200 provides funding for Early Childhood staff salaries, travel related to program management, commodities, printing, and activities related to the administration of the Early Childhood Block Grant.

## EARLY CHILDHOOD BLOCK GRANT

The Early Childhood Block Grant is authorized by Section 2-3.71 of the School Code, as amended by PA 90-548. The Early Childhood Block Grant provides Early Childhood Education and Family Education programs and services for children and their families. The purpose of these programs and services is to assure that all young children enter school ready to learn. Programs funded under the Block Grant include the Prekindergarten Program for Children at Risk of Academic Failure, Early Childhood Parental Training, and the Prevention Initiative. In addition, eight percent of these funds must be spent on services for children in the birth to three age range.

The Block Grant serves children aged three to five years in a preschool educational program for children identified as being at risk of academic failure, parents of children aged five years and under who are district residents in a parent education program, and at-risk families of children under the age of three in a program that provides parent education and child development services. There are an estimated 130,000 children in Illinois who would qualify for early childhood educational services. It is estimated that 55,000 children will be served in the Prekindergarten Program in FY99.

Funds are awarded on a competitive basis through a request for proposal process. The Fiscal Year 1999 funding level of $153,663,600 provides maintenance of effort funding for 430 continuing early childhood grants statewide, expands existing programs to provide more services such as full-day Prekindergarten and/or to serve more children and families in under-served areas and funds new services in unserved areas or populations.

## ELECTRONIC LONG DISTANCE LEARNING NETWORK

The Electronic Long Distance Network program presents science curriculum through problem-based learning techniques delivered via today's communications and computer technology. A corollary effect is to give students computer, CD ROM, Internet and World Wide Web technology training and skills, which are important to their ability to function as employees and citizens in the years ahead.

In FY99, four initial science subjects were selected and developed from *The New Explorers* television series by Illinois middle school teachers working with curriculum writers under the direction of Roosevelt University. These pilot science units met the new Illinois Learning Standards and were piloted in grades 5 through 8 in twenty-nine Illinois schools. Pilot schools reflect a cross-section of ethnic/race, socioeconomic factors, urban/suburban/rural, public, and private schools. Each school, which must be equipped with a television, a computer with CD ROM player and Internet connection, and communication equipment, is then supplied with curriculum, teachers' guides, student experiment kits and parent/community involvement opportunities. Teacher training/staff development is another key component of this multi-media integrated science-based program. The Electronic Long Distance Network has a Fiscal Year 1999 funding level of $1,700,000.

## GED TESTING

General Education Development (GED) Testing is authorized by Section 5/3-15.12 of the School Code, as amended by Joint House Resolution 24 on June 1, 1997. The purpose of this appropriation is to support the cost associated with applicants taking the GED test. In June 1996, the American Council of Education increased the cost for every first-time candidate who takes the GED test by $6.00. Funds are distributed based on a noncompetitive contract with American Council on Education to supplement the cost of providing GED testing. The Fiscal Year 1999 funding level of $210,000 provides the necessary funds to cover the costs associated with the GED test.

## GENERAL STATE AID

General State Aid (GSA) is authorized by Section 18-8.05 of the School Code, as amended by P.A. 90-548. General State Aid funds represent the major portion of state support for Illinois public elementary and secondary schools. Kindergarten through grade 12 and eligible prekindergarten students provided educational services by public school districts benefit from local receipt of State Aid.

With one exception, these funds are not targeted or categorical in nature and may be expended at the discretion of the receiving districts. The exception is Chicago District #299, which must target and expend the portion generated by the low-income weighting factor as prescribed in Section 18-8.05 of the School Code.

The formula provides for different methods of funding allocation, dependent primarily upon the equalized assessed valuation of property within the school district boundaries. The amount of GSA distributed to school districts is determined by the annual appropriation. Kindergarten through grade 12 and eligible prekindergarten students provided educational services by Illinois public school districts have benefited from the distribution of General State Aid based, in part, on average daily attendance (ADA).

Public universities that operate a laboratory school are eligible to file a claim for General State Aid. The State Board of Education calculates their claim by utilizing the best three months average daily attendance times the foundation level. Regional superintendents who operate alternative schools approved by the State Board of Education and Regional Safe Schools Programs are eligible to receive state funding. For any alternative school operated by a regional superintendent to be eligible for state aid under this provision, every school district that sends students to such a school must approve the application of the regional superintendent for General State Aid for such students. During the 1997-1998 school year, nineteen regional superintendents operated alternative schools approved by the State Board of Education and forty-three regional superintendents operated Regional Safe Schools. In addition, three Intermediate School Centers offered Safe Schools Programs. Payments to school districts are made semi-monthly, August through July.

The formula defines available local resources for each district as the amount of local dollars that are counted towards the foundation level. Those available local resources include 1) the district's equalized assessed valuation (EAV) multiplied by tax rates of $3.00 for unit districts, $2.30 for elementary districts, and $1.20 for high school districts and 2) the district's Corporate Personal Property Replacement Taxes. The total of these local resources is then divided by the district's best three months average daily attendance (ADA) for the prior school year to determine its available local resources per pupil. School districts are not required to actually tax at the minimum operating tax rates used in the formula for calculating General State Aid. The best three months ADA from the prior school year is used to determine a pupil count for use in the formula.

General State Aid is calculated in one of three ways:

- If a district's available local resources per pupil are less than 93% of the foundation level, the district's state aid equals (foundation level *minus* available local resources per pupil) *times* ADA, or
- If a district's available local resources per pupil are equal to or more than 93%, but less than 175% of the foundation level, the district's state aid is determined from a sliding amount from 7% to 5% of the foundation level *times* ADA, or
- If a district's available local resources per pupil are equal to or more than 175% of the foundation level, the district's state aid equals $218 *times* ADA.

In regard to the low-income Supplemental General State Aid, the term "Low-Income Concentration Level" shall be the low-income eligible pupil count from the most recently available federal census divided by the average daily attendance of the school district.

The funding for Fiscal Year 1999 General State Aid was $2,923,000,000.

## GENERAL STATE AID – HOLD HARMLESS

General State Aid – Hold Harmless is authorized by Public Act 90-548. The intent of this funding is to guarantee each district will not receive any less General State Aid than the 1996-1997 school year (defined as the amount of GSA plus GSA Hold Harmless). This funding continues to be necessary because of the change in the

General State Aid formula. School districts are being held harmless to the formula changes as well as changes in property wealth and enrollments.

Any district that would have received less General State Aid than it received in the 1996-1997 school year is eligible. Payments to eligible school districts are made in October. The funding level of $58,000,000 provides the necessary resources to hold all school districts harmless.

## GIFTED EDUCATION REIMBURSEMENT

The Gifted Education Reimbursement Program is authorized by Article 14A of the School Code. These funds reimburse districts for services and materials to assist in implementation of the Comprehensive Gifted Education Plan. These funds also enable schools to provide direct services to children identified as gifted and to provide resources for professional development related to addressing the needs of these students. Districts may request distribution of funds in one of two ways--based on a formula basis (5% of the average daily attendance) or a personnel method (number of teachers providing gifted program services).

The gifted program is designed to serve grade K-12 students whose mental development is accelerated beyond the average or who have demonstrated a specific aptitude or talent and can profit from specially planned educational services, including students with exceptional ability in academic subjects, creativity and the arts. Public Act 85-880 requires school districts, pending appropriate funding levels, to provide services to all gifted K – 12 students in all fundamental learning areas. Each participating district is required to develop a local Comprehensive Gifted Plan that describes how students are to be identified, professional development activities, personnel to be used, a program description, evaluation methods, and projected implementation costs.

The funding level of $19,695,800 supports district implementation of their local Comprehensive Gifted Education Plan.

## HISPANIC STUDENT SERVICES

The Hispanic Student Dropout Prevention Program provides supplemental, optional and alternative education programs to Hispanic students to ensure that cultural and language differences do not create barriers to their success in school. Program funding allows school districts with increased Hispanic enrollment to help these students complete high school. Ten grants serving 2,000 students were awarded in FY99. Activities funded by these grants included tutorial services, career counseling, and academic programming during non-school hours. Grants are awarded to eligible agencies through a competitive request for proposal process. The Fiscal Year 1999 funding level of $374,000 assists in meeting the increasing number of requests for assistance for this student population.

## ILLINOIS CERTIFICATION TESTING SYSTEM

The Illinois Certification Testing System is authorized by Section 21-1a of the School Code. The intent of this testing program is to ensure that all candidates for teaching, school service personnel, or administrative certificates demonstrate proficiency in basic skills, i.e. reading, writing, grammar and mathematics, and the tests of content knowledge in the specific subject areas of certification.

The funding level of $655,000 allows the State Board to begin the development of new standards for teaching, school service personnel and administrative certificates and the examinations aligned with those standards. Test development for each of the endorsement areas will begin immediately after the content standards have been accepted by the State Board. Support is maintained for the continuing process of review of all current tests to insure that they are responsive to the assessment of entry-level educators for Illinois schools.

## ILLINOIS FREE LUNCH AND BREAKFAST

The Illinois Free Lunch and Breakfast program is authorized by Article 712 of the School Code. Through this reimbursement program, schools (public and private) and other designated sponsors are encouraged to provide free breakfasts and free lunches to eligible needy children. Public schools are mandated to provide free lunches to eligible needy children. Eligibility for free meal programs is determined by applying the income-level guidelines of the National School Lunch Program.

Schools and other designated sponsors submit monthly claims to the Illinois State Board of Education for reimbursement on a current-year basis. Up to $0.15 of state reimbursement is authorized for each free breakfast and free lunch provided. The funding level for Fiscal Year 1999 was $16,516,800.

## ILLINOIS GOVERNMENTAL INTERNSHIP PROGRAM

The Illinois Governmental Internship Program, which is co-sponsored by the State Board of Education and the Springfield School District #186, provides high school seniors an opportunity to explore careers while working as interns for government agencies in Springfield. The interns, who serve as special assistants, take a semester's sabbatical from all their regular studies. Monday through Thursday, Illinois Governmental Interns work under the guidance of management level personnel in state agencies such as the Attorney General's Office, the Governor's Office, Illinois Information Services, the Department of Children and Family Services, and the State Board of Education. Interns attend policy meetings and conferences with their sponsors, do special assignments, prepare memoranda and reports, and occasionally travel with their sponsors. On Fridays, while participating in seminars, interns gain additional information about careers, as well as develop an understanding of leadership and the qualities necessary for success in a professional environment. The combination of job and classroom experiences creates an exceptionally educational semester for the interns. Students live in Springfield during their semester of internship. Funds are distributed based on a grant to Springfield School District #186 to support the program administration. The funding level for Fiscal Year 1999 was $129,900.

## ILLINOIS PARTNERSHIP ACADEMY

The Illinois Partnership Academy fosters high school reform and restructuring for school improvement. The Illinois Partnership Academy is a three-year to four-year school-within-a-school program for grades 9-12 organized around a career theme and operated as a business education partnership. The Academies have a dual purpose: to prepare students for both college and careers during the high school years by integrating rigorous academic, career and technical education that addresses the Illinois Learning Standards, Occupational Skill Standards and Workplace Skills.

The Illinois State Board of Education makes available $10,000 planning grants on a competitive and need basis for districts to form business-education partnerships, attend training, visit demonstration sites, pay for substitute teachers and other reform-related costs associated with restructuring the high school. Additionally, operational and supplemental grants and competitive Lighthouse/Mentor School grants will be made available to established academies as funds allow.

The fiscal year 1999 funding level of $600,000 funds approximately 50 high schools to plan and support the development of Partnership Academies in accordance with researched essential elements for best practices. Local and statewide annual performance assessment will be carried out related to student achievement, student attendance, credit accrual and progression towards on-time graduation. Districts may use funds for planning activities, implementation activities, professional development, improvement of instruction, curriculum development, extra-common planning periods, capital outlays for equipment, instructional materials and supplies.

## ILLINOIS SCHOLARS PROGRAM

The purpose of the Illinois Scholars Program is to recruit more students, especially minorities, into teaching as a career. High school students are nominated in their junior year by teachers, counselors or principals based on their capacity to become great teachers. Selected in the fall of their senior year, scholars are mentored through college and into their teaching careers by exemplary educators.

- Scholars receive financial assistance for four years in return for satisfactory completion of college and certification requirements at one of 24 participating Illinois universities.
- Throughout the academic year, scholars participate in work/study programs involving children in school environments.
- Scholars receive four paid summer internships for participation in the activities of the six-week Golden Apple Summer Institute. Activities include teaching internships in urban schools, classes on the art and craft of teaching, camp counseling, and preparation for the first years of teaching.
- Scholars receive mentoring and professional support through the Golden Apple network at each university campus.

Fiscal Year 1999 funding of $1,704,300 is distributed based on a grant to the Golden Apple Foundation.

## ILLINOIS STANDARDS ACHIEVEMENT TEST (ISAT)

The Illinois Standards Achievement Test (ISAT) is authorized by Sections 2-3.63 & 77-1, as amended by PA 90-566. The Illinois Standards Achievement Test (ISAT) produces reliable, valid and fair results for the evaluation of Illinois schools for the majority of the Illinois Learning Standards. In the past, the Illinois Goal Assessment Program (IGAP) tested all eligible 3rd, 6th, 8th, and 10th grade students in reading, mathematics and writing. All eligible students in 4th, 7th, and 11th grade were tested in science and social sciences. A sampling of performance has taken place in Fine Arts and Health/Physical Education. Beginning in 1999, all testing which occurred at 6th grade in the past would now take place in 5th grade. Each district receives state, district, school, and student results for ISAT. Parents/guardians receive a copy of their child's test results and the school results are summarized for display on the School Report Card. School and district results are presented relative to the performance standards that have been in existence for the past three years. In addition, ISAT is to be used to fulfill accountability requirements for federal programs such as Title I, thereby reducing the total time presently used to test students. Public Act 90-566 calls for the alignment of ISAT assessments to the new Illinois Learning Standards.

Agency administration costs include a variety of competitive contracts for developing test items, printing, distribution, scoring and score reporting. The funding level of $9,585,000 addresses one or more of the following needs: developing the new ISAT assessments and aligning them with the new Illinois Learning Standards, new contracts to meet legislative requirements of earlier reporting of assessment results, tightening of "test security", performance assessment development for local school and district capacity building and use, performance assessment in mathematics and reading on a trial basis in ISAT, local retention of a copy of the students' ISAT writing essay, and technical assistance.

## JOBS FOR ILLINOIS GRADUATES

Jobs for Illinois Graduates (JILG) assists Illinois' economically disadvantaged and at-risk youth who are at most risk of unsuccessful transition from school to work and long-term under/unemployment. This is achieved by providing the students with employability, workplace and leadership skills and career development assistance.

Students receive high school credits for their work in the JILG program. Performance standards for completion are

- 100% of the students master the 30 core competencies that include basic skills, career development, job survival, job obtainment, leadership and self-development and social skills;
- 90% overall graduation/GED rate (within one year of the normal school-leaving time); and
- 80% overall after-program success rate (employed, in the military or enrolled in postsecondary education or training).

As of November 1998, the Jobs for Illinois Graduates program is operating in 47 senior-year programs serving approximately 2,000 students and exceeding the national performance standards for FY 1997. Funds are awarded on a competitive basis through a request for proposal process. Program success is measured by graduation rate, post-program success (employed, military or continued education) and employment compared to similar students not completing the program. The first year's success rate of JILG programs has exceeded the national performance standards. The funding level for Fiscal Year 1999 was $2,800,000.

## LEADERSHIP DEVELOPMENT INSTITUTE

The purpose of the Leadership Development Institute is to assist school administrators in effectively leading change through the development of enhanced facilitation and communication skills. The goal of the institute is to draw upon the combined wisdom and experience of education and business to explore and expand upon ways to improve education for the students of the 21st century. The program includes a four-day leadership development institute (LDI-I) for district superintendents and a five-day executive leadership institute (ELI-I) for school principals. A second generation program for each is also available, as well as periodic follow-up activities.

The Leadership Development Institute is an outgrowth of business and education partnerships among the Illinois Association of School Administrators and the Illinois Principals Association. Funds are granted through a request for proposal process.

The funding level of $350,000 supports the LDI-1 and ELI-1 activities. Through this program, school administrators participate in activities that enhance their abilities in the areas of visionary leadership, strategic thinking, collaboration and team-building, and promoting change.

## LEARNING IMPROVEMENT & QUALITY ASSURANCE

The Learning Improvement & Quality Assurance program is authorized by Section 2-3.25 and Section 2-3.63/4 of the School Code. These funds support the reconceptualized Quality Review portion of the existing school accreditation system. This process moves from a summative, compliance-driven system to one that is formative and centered on professional development as a means of improving teacher and student performance.

In FY99 the State Board of Education provided Learning Improvement and Quality Assurance Grants to 200 schools that were involved with the Quality Assurance Process for the 1998-99 school year and to the 180 schools that were involved in the process during FY98. Additionally, funds were also provided for the Illinois Learning Record, a classroom-based assessment initiative designed to use the expertise of classroom teachers in issues of assessment across the state. These grants are intended to help schools prepare for their upcoming external review and activities that are directly related to the school improvement planning process. The funding level of $9,026,500 supports an estimated 220 schools.

## LEARNING STANDARDS

The Learning Standards initiative is authorized by Section 2-3.64 of the School Code. This initiative completes work begun by the Illinois Learning Standards. The content described in the learning standards makes explicit what, in general, students should know and be able to do, but does not answer the question "How good is good enough?" The performance standards will answer that question by translating the descriptions of content listed in the Illinois Learning Standards into observable behaviors and performances and will provide actual examples of student work that exemplify each of the standards. Teachers can compare the kinds of work they do in their classrooms to the work selected by the performance-standard-setting committees and see whether the opportunities and expectations they provide their own students put the students in a position to produce the kinds of work that Illinois teachers, community members and parents agree is "good enough." This work links directly to the development and administration of the new ISAT, IMAGE and PSAE tests; the Occupational Skills Standards; the Right to Read Initiative; the Quality Assurance Initiative; the Charter Schools initiatives; ROE/ISC professional development initiatives; curricular technology initiatives; middle and high school curricular projects; early childhood preparation initiatives; special education/IEP/504 activities; initiatives for students for whom English is a second language; the new activities related to P-16 statewide alignment and teacher certification and credential activities.

The funding level of $1,286,500 supports ongoing activities of 500+ committee members serving on eight performance-standards-setting committees. Activities include collecting, selecting and annotating student work that exemplifies what it means to "meet" performance standards; printing and mailing performance standards and collections of annotated student work to all Illinois teachers and administrators; developing and disseminating professional development materials and procedures designed to help teachers use performance standards to align local curriculum and assessment to state standards; to improve instruction; and to align local reporting procedures to standards; and developing and distributing standards information to students, teachers, parents and community members.

## MINORITY TRANSITION PROGRAM

Minority Transition Program helps prepare disadvantaged minority youth for college matriculation and graduation through a wide range of programs and activities. Specific activities are designed to involve students in grades 5-12, their parents, and members of their communities in projects that introduce them to the many issues involved in enrolling students in higher education.

The population served includes disadvantaged students from selected Chicago high schools and elementary schools. Approximately 100 students in grades 5-12 are served annually. The Fiscal Year 1999 funding level of $300,000 maintains current program levels and services for an estimated maximum of 100 students.

## NATIONAL BOARD CERTIFICATION

The National Board for Professional Teaching Standards (NBTPS) was created in 1987 to develop a system for recognition of advanced accomplished teaching. National Board certification is a symbol of professional teaching excellence. It indicates a teacher has been judged by his or her peers as one who is accomplished, makes sound professional judgments about students' best interests, and acts effectively on those judgments.

In the 1996 report of the National Commission on Teaching and America's Future, Commission members recognized that the "National Board's standards and assessments help teachers reflect on and learn from their practice." The standards are predicated on five major propositions that teachers and researchers agree are essential to accomplished teaching.

- Teachers are committed to students and their learning.
- Teachers know the subjects they teach and how to teach those subjects to students.
- Teachers are responsible for managing and monitoring student learning.
- Teachers think systematically about their practice and learn from experience.
- Teachers are members of learning communities.

Candidates participate in a two-part assessment that includes portfolio and assessment exercises. The portfolio represents approximately 125 to 175 hours of work that is completed in the classroom and includes the submission of student work, videotapes and other teaching artifacts.

The Fiscal Year 1999 funding level of $75,000 for registration fees for 116 teachers and training and mentoring support for applicants throughout the certification process. Candidates who complete and achieve National Board certification earn an Illinois Master Certificate valid for seven years and renewable thereafter according to requirements established by the State Board of Education.

## ORPHANAGE TUITION - REGULAR EDUCATION

The Orphanage Tuition - Regular Education program is authorized by Section 18-3 of the School Code.

The program reimburses school districts for the cost of providing educational services to children residing in orphanages, children's homes, and state-owned housing. The special subsidy is required since districts receive no local property tax revenue on behalf of such children and cannot claim them in average daily attendance for General State Aid purposes. Section 18-3 of the School Code establishes a prior-year funding formula for determining a district's per capita tuition. The State Board of Education reimburses the district a 1.2 per capita tuition amount for each eligible child attending school in the district. The funding level for Fiscal Year 1999 was $14,410,100.

## ORPHANAGE TUITION - SPECIAL EDUCATION

Orphanage Tuition - Special Education is authorized by Section 14-7.03 of the School Code. This initiative provides funds for local school districts to educate children and youth with disabilities who are not residents of the district but who are wards of the State of Illinois or are otherwise eligible for this funding.

Claims are reimbursed on a quarterly basis for current-year expenditures. Summer school claims are reimbursed in December of the same year. Reimbursable costs for this program are determined by the actual cost of maintaining classes with certain limitations on administrative, supervisory and facility use costs, as prescribed by statute and regulation. The funding level for Fiscal Year 1999 was $127,092,100.

## PRAIRIE STATE ACHIEVEMENT EXAMINATION (PSAE)

Prairie State Achievement Examination (PSAE) is authorized by Sections 2-3.63 and 77-1 of the School Code, as amended by Public Act 90-566. This Act requires that the State Board of Education administer the Prairie State Achievement Exam in reading, mathematics, writing, science, and social studies to students in grade 12 beginning in academic year 1999-2000 (FY00). Prior to the first administration in 1999-2000, extensive test design, item development, test piloting, revision and field-testing is necessary to ensure that reliable and valid tests are ready in each of the five subject areas. The funding level of $970,000 will begin development of new 12th grade tests in reading, mathematics, writing, science, and social sciences.

## PROFESSIONAL DEVELOPMENT BLOCK GRANT

The Professional Development Block Grant is authorized by Section 1C-2 of the School Code, as amended by P.A. 90-548. This Professional Development Block Grant is the combination of the Block Grant for School Improvement and the Regular Education Initiative Program. The block grant approach provides greater flexibility for school districts to implement local improvement plans and greater efficiency for both state and local personnel in the administration of these funds. These funds are to be used to build the capacity of educators to improve student learning relative to the Illinois Learning Standards. The block grant has primarily been used by local personnel to support staff development and to implement local assessment systems according to their own unique needs and was distributed to school districts based on district enrollments. Funds will be distributed to all public school districts by formula based on full-time certified instructional staff. The funding level of $26,000,000 provides state support for development and implementation of local school improvement plans.

## PROGRAM EVALUATIONS

The State Board of Education is continuing to evaluate education reform initiated as part of the Education Reform Act passed in 1985, as well as other state-funded programs. External evaluations provide independent and objective information that is not biased or tainted by agency perceptions or influence and is used to modify and strengthen existing programs and/or suggest areas for monetary reallocations. The focus in FY98 was the evaluation of reading and selected early childhood initiatives. In FY99, the focus was on standards, technology, and planning for Charter School evaluation.

Funds are awarded on a competitive basis through a request for proposal process. The funding level of $200,000 allows for the external evaluation of state-funded programs to continue the multiyear evaluations of technology and implementation of the learning standards.

## PROJECT JUMPSTART

Project Jumpstart focuses resources and intervention services on some of the lowest-performing schools in the state. Funding for FY99 supports the implementation of direct student services focusing primarily on reading, writing, and math improvement such as tutoring, extended school day and professional development in Chicago schools not meeting state standards. This initiative is part of the state's effort to support the poorest-performing schools in the state. It is linked to Chicago's probation and remediation process.

In FY98 and FY99, 23 schools participated in the project. The project focused on student achievement improvement in those schools, particularly at grades scheduled for testing, utilizing data-driven strategies. These funds are disbursed as a grant to school district(s). School district, local school and ISBE staff work together to develop a school improvement plan and allocate these dollars to support activities identified through this process. The funding level for Fiscal year 1999 was $2,000,000.

## ROE/ISC - REGIONAL SUPERINTENDENTS' AUDITS

ROE/ISC-Regional Superintendents' Audits are authorized by Sections 2-3.17a, 2-3.22, and 3-6.1 of the School Code. The law requires the State Board of Education to conduct an annual financial audit of the 45 Regional Offices of Education and three Intermediate Service Centers. These audits are performed in compliance with federal regulations and ISBE provided guidelines. Funds will be awarded on a competitive basis through a request for proposal process. The funding level of $506,300 purchases services of CPA firms to audit the 45 Regional Offices of Education and three Intermediary Service Centers.

## ROE/ISC - REGIONAL SUPERINTENDENTS' SALARIES

ROE/ISC-Regional Superintendents' Salaries are authorized by Section 18-5 of the School Code and Chapter 53, Section 45.1 of the Illinois Compiled Statutes. This program pays the salaries of superintendents and assistant superintendents of Regional Offices of Education (ROEs). There are 45 regional superintendents and 48 assistants. Each Intermediate Service

Center has one state-supported assistant with the exception of three in suburban Cook County, which have two state-supported assistants.

Salaries of the regional superintendents are determined by the General Assembly according to the population of the region served, as established by the last preceding federal census. Salaries are paid monthly. In any region in which the appointment of more than one assistant superintendent is authorized, one assistant may be compensated at no more than 90 percent of the regional superintendent's salary, and any other assistants shall be paid at a rate not exceeding 75 percent, in each case depending on the qualifications of the assistant. Additional personnel and salaries can be provided by local board funding. The funding level for Fiscal Year 1999 was $6,318,600.

## ROE/ISC – SERVICES TO CHICAGO

ROE/ISC–Services to Chicago are authorized by Section 2-3.105 of the School Code. These funds support the State Board of Education's responsibilities for carrying out the Regional Superintendent duties for Chicago. These duties consist mainly of providing GED testing to the city of Chicago and the suburban Cook counties, teachers' certificates, and bus driver training.

The State Board of Education provides Chicago with GED testing services for approximately 18,000 persons a year; the registration of 35,000 teachers' certificates per year; processing of 15,000 applications for certification; compliance monitoring of Chicago public schools; truancy services to Chicago Public schools; and data collection and reporting. In FY99, the GED testing services were distributed on a competitive request for proposal, while the teacher certification and bus driver training were administration costs. The funding level of $870,000 provides the costs for the State Board of Education to perform the Regional Superintendent's duties for the city of Chicago as it is required to do by statute.

## SUPERVISORY EXPENSE FUND

The Supervisory Expense Fund is authorized by Section 18-6 of the School Code. The statute provides that regional superintendents receive funds on an annual basis for expenses incurred for supervisory duties. The 45 regional superintendents throughout the state are being reimbursed for expenses incurred during the performance of their supervisory responsibilities throughout the 102 counties of the state. Regional superintendents receive an annual sum during the month of August for the expenses incurred for providing supervisory services in their region. An annual sum of $1,000 is provided to each regional superintendent for each county supervised. The funding level for Fiscal Year 1999 was $102,000.

## ROE/ISC – SCHOOL SERVICES

Section 2-3.62 of the School Code established 45 Educational Service Regions (Regional Offices of Education), three Intermediate Service Centers in Suburban Cook County outside the city of Chicago, and one Chicago Intermediate Service Center. Chicago District #299 acts as the Chicago Intermediate Service Center.

These entities are designated to provide programs and services in the areas listed below by developing a Regional Improvement Plan that includes 1) scope and content of programs and services, 2) services planned to address school improvement service needs as identified in an annual needs assessment, 3) delivery of services, 4) estimated cost of programs and services, and 5) evaluation of services provided.

- Education of Gifted Children
- Computer Technology Education
- Staff Development Services in Fundamental Learning Areas
- Administrators' Academy
- Directory of Cooperating Consultants

The Regional Offices of Education conduct compliance monitoring activities with schools and districts in their regions and take on specialized roles as appropriate to serve the schools in the region and the state. The funding level of $12,360,000 supports school improvement activities through training and assistance for teachers and administrators.

## ROE/ISC – TECHNOLOGY

The ROE/ISC–Technology initiative is authorized by Section 2-3.62 of the School Code. This initiative enables staff in each Regional Office of Education (ROE) and Intermediate Service Center (ISC) to assist districts throughout the state to implement statewide technology initiatives. Services are provided to all public schools in Illinois connected through the state-provided network designed to provide learning technology services through Regional Office of Education and Intermediate Service Center connections. Additionally, this network provides ROEs and ISCs access to statewide, regionally-based software designed to improve the efficiency of their operations.

The funding for FY99 was $500,000, of which $300,000 was provided to 45 Regional Offices of Education and three intermediate Service Centers to support computer needs (hardware, software, and support) and to support learning technology services to local school districts. The remainder of the appropriation, $200,000, was used by ISBE to implement and support a statewide, regionally based accounting software system.

## READING IMPROVEMENT BLOCK GRANT

The Reading Improvement Block Grant is authorized by Section 2 - 3.51 of the School Code for the block grant, as amended by Public Act 90-548. The purpose of the Reading Improvement Block Grant is to improve the reading and/or study skills and student achievement relative to the Illinois Learning Standards of children K-6. Districts must use funds to reduce class size in grades K-3, to extend the school day or school year, create transitional grades between grades 1-2 and 2-3, establish reading academies, hire additional aides or reading specialists, and/or retrain teachers to improve their reading instruction skills.

In FY99, more than 50% of the funds were used by districts to increase the availability of reading specialists/aides, and approximately 15% of funds were used to reduce class size (K-3). The block grant funds are allocated to school districts based on the following formula: 1) 70% of the funds are distributed according to the best three months average daily attendance in grades K-6 (approximately $58/student in FY99); 2) 30% of the funds are distributed according to the number of ESEA, Title I eligibles estimated to be available for attendance in grades K-6 (approximately $135/student in FY99). Grant payments are made in two equal, semiannual installments. Funding for the FY99 Reading Improvement Block Grant totaled $83,389,500.

## REPORT CARDS

The purpose of the Report Cards program is to provide financial assistance to local districts for printing and distributing each school's state report card to every parent. All districts are eligible to participate in the program. Claims for reimbursement under the Report Card allocation are paid in March. The funding level of $1,318,500 is estimated to be sufficient to pay all the claims submitted under this program at 100%.

## SCHOOL SAFETY & EDUCATIONAL IMPROVEMENT - BLOCK GRANT

The School Safety & Educational Improvement - Block Grant is authorized by Section 2-3.51.5 of the School Code. The purpose of this block grant is to increase the flexibility of school districts to improve the quality of education and safety of students and student achievement relative to the Illinois Learning Standards. This grant provides funding for school safety, textbooks and software, teacher training and curriculum, development, school improvement, and remediation programs. Formula-based entitlement grants are distributed to all public schools and laboratory schools. The funding level for this grant is $56,500,000.

## SCIENTIFIC LITERACY

The Scientific Literacy program is authorized by Section 2-3.94 of the School Code. This program authorizes the State Board of Education to establish a Center on Scientific Literacy to provide technical assistance and teacher training to school districts in the areas of science, mathematics and educational technology. The Center coordinates and supports the development of alternative curriculum models that focus on the learning needs of students by teaching analytical thinking through concepts and problem-solving skills. The Center also provides leadership and support in the development of appropriate assessment instruments for the alternative curriculum. The activities tie to the Illinois Learning Standards and the proposed Teaching Standards as they are refined and approved.

This is a statewide leadership and technical assistance program serving teachers and students in grades K-12 in Illinois public schools. During FY99, 89 grants were authorized to serve Illinois learners, including students in nearly 100 districts and approximately 1,000 teachers in the competitive grant program, as well as all the Regional Offices of Education and Intermediate Service Centers. Funds are distributed to participating agencies based on a competitive request for proposal process.

The funding level of $8,583,000 supports both grants to schools and state leadership activities. The competitive grant funds are open to all schools as they propose the development of local programs and to colleges/universities/not-for-profit organizations proposing teacher training opportunities, whereas, the state leadership funds are focused on specific, field-determined statewide training needs.

## SPECIAL EDUCATION – BLIND & DYSLEXIC

Recording for the Blind and Dyslexic is a nonprofit, volunteer-based organization whose mission is to promote educational success for individuals who have visual and reading impairments by converting published materials into recorded, computerized and other accessible formats. The funding provides access to printed word for students in elementary and secondary education settings across the state. The conversion of the printed texts is for educational purposes only, not for pleasure reading. This initiative provides students in Illinois who have visual and reading impairments access to published materials in a timely, efficient and cost-effective manner.

The populations served under this initiative are elementary and secondary school students across Illinois. Service levels across the state are compiled on a countywide basis. In FY98, the most recent analysis, 1,512 borrowers at elementary and secondary schools benefited from this initiative. Funds are distributed based on a grant to Recording for the Blind and Dyslexic. The funding level for Fiscal Year 1999 was $175,000.

## SPECIAL EDUCATION - CHILDREN WITH LOW-INCIDENCE DISABILITIES

This program provides supplemental funding to special education joint agreements and independent school districts that serve students with low-incidence disabilities. Special education low-incidence programs provide direct and/or support services to students with disabilities whose needs and numbers are such that appropriate programming cannot be provided without additional financial and programmatic assistance. Low-incidence programs cover the entire state. The types of services provided during FY99 included specialized diagnostics, technical assistance, program supervision and consultation, instructional, technological and related services, resource referral, and inservice training. This program serves joint agreements and independent special education school districts serving an estimated 14,175 students with low-incidence disabilities. Funds are being distributed to two consolidated low-incidence programs and 62 joint agreements/school districts on a per-child basis to support programs for students with low-incidence disabilities.

The fiscal year 99 funding level of $1,500,000 is for continuing support of low-incidence programs. The funds are distributed to special education cooperatives and districts based on the December 1 child counts required by the Individuals with Disabilities Education Act. Performance is assured through the regulatory compliance monitoring performed by the Illinois State Board of Education.

## SPECIAL EDUCATION – EXTRAORDINARY SERVICES

Special Education – Extraordinary Services is authorized by Section 14-7.02(a) of the School Code. This initiative provides local school districts state reimbursement up to a maximum of $2,000 per child above the district's per capita tuition charge for high-cost public school services to students with disabilities. The cost calculation process is delineated in rule.

The original intent of this initiative was to assure that local school districts had access to additional funding in a fashion similar to that of the private school tuition line item. Eligible students are those with costs in excess of 1 1/2 times the district per capita tuition charge. The actual cost of educating the child with a disability is reduced by any funds received under other special education reimbursement programs. The funding level for Fiscal Year 1999 was $30,761,100.

## SPECIAL EDUCATION – MATERIALS CENTER FOR THE VISUALLY IMPAIRED

Special Education – Materials Center for the Visually Impaired is authorized by Section 14-11.01 of the School Code. The Materials Center operates through a grant to Springfield District #186 to address unique student needs. The Center purchases Braille and large-print books and textbooks, adapted materials, and equipment for use statewide by students with visual disabilities. Approximately 2,850 elementary and secondary and 400 post-secondary students statewide receive materials through the depository for students with visual impairments. The funding level is $919,100.

## SPECIAL EDUCATION – PERSONNEL REIMBURSEMENT

Special Education – Personnel Reimbursement is authorized by Section 14-13.01 of the School Code. This initiative is intended to provide additional funding for school districts employing the necessary staff to serve children and youth with disabilities ages 3 - 21 years old. Since these staff are additional instructional and related service personnel beyond the regular classroom teachers, additional resources have been deemed necessary. Staff that are employed for these specialized purposes include teachers, school social workers, school nurses, school psychologists, school counselors, physical and occupational therapists, individual or classroom aides, readers, and administrators.

The state pays local school districts $8,000 per professional worker and $2,800 per noncertified employee for the school year when employed on a full-time basis for special education purposes. Districts are reimbursed for prior-year expenditures on the basis of the number of approved special education personnel providing services to children and youth with disabilities who are served by the district or cooperative. The funding level for Fiscal Year 1999 was $228,698,300.

## SPECIAL EDUCATION - PHILIP ROCK CENTER AND SCHOOL

Special Education – The Philip Rock Center and School is authorized by Section 14-11.02 of the School Code. The initiative provides for a statewide center and a school for individuals who are both deaf and blind. These individuals are few in number in Illinois but have intense service needs. Full residential/educational services are being provided to 20 persons at the Philip J. Rock Center and School. Statewide, about 460 persons who are deaf-blind are eligible for support services through the service center. Payments are made to the Rock Center according to contracts developed by the Illinois State Board of Education.

The funding level of $2,556,600 enables the Rock Center to continue community-based, as well as center-based, classroom programs. The funds support salaries and benefits for 55 full-time and 30 part-time employees, transportation, food and lodging associated with residential placement, building rent, and educational services for students.

## SPECIAL EDUCATION – PRIVATE TUITION

Special Education – Private Tuition is authorized by Section 14-7.02 of the School Code. This initiative reimburses local school districts for the approved tuition costs for children with disabilities placed in approved private schools in order to receive a free, appropriate public education. The children are so placed to receive special education and related services when the public school system is unable to meet their needs at this time. School districts may place such students into approved schools that meet the requirements of the State Board of Education pursuant to rules under Part 401 of 23 Illinois Administrative Code. The approved tuition costs for the students are set by the Illinois Purchased Care Review Board.

Reimbursement is provided for prior-year services. The state will provide reimbursement for the difference between the actual cost of educating the student with a disability and the district's per capita tuition charge if the cost is under $4,500 per regular school year. The Illinois Purchased Care Review Board must approve actual costs that exceed $4,500. Over $4,500, the district is reimbursed the difference between $4,500 and their per capita tuition charge and the costs in excess of $4,500 plus a second per capita tuition charge. The funding level for Fiscal Year 1999 was $35,270,600.

## SPECIAL EDUCATION – SUMMER SCHOOL

Special Education – Summer School is authorized by Section 18-4.3 of the School Code. This initiative provides reimbursement for local school districts that provide an extended school year for eligible students with disabilities. Children and youth with disabilities may need an extended program to not lose the ground gained through an academic school year. These children are served in private placements or in public school intensive programs during the regular school term. The Individual Educational Plan (IEP) will specify how many days the program should operate.

The basic requirements for eligibility are as follows: (1) the pupil must be enrolled in one or more courses offered for at least 60 clock hours in the summer session; (2) the pupil must be eligible pursuant to Section 14-7.02 or 14-7.02a, and (3) there shall not be a tuition charge to families to insure a "free, appropriate public education." Claims are reimbursed in December of the same year. The funding level for Fiscal Year 1999 was $3,395,600.

## TAX EQUIVALENT GRANTS

Tax Equivalent Grants are authorized by Section 18-4.4 of the School Code. This program allows school districts to receive a grant equivalent to tax revenues lost when any state institution is located in a school district in which the state owns 45% or more of the total land area of the district. For example, the Illinois State Penitentiary, which is not taxable, covers 1,557 acres of the 3,283 total acres of Chaney-Monge District #88 in Will County. District #88 is the only district affected. This program will expire after the 1999-2000 school year. The funding level for Fiscal Year 1999 was $185,800.

## TEACHER OF THE YEAR AWARD

The Teacher of the Year Award program identifies an Illinois Teacher of the Year to serve as an "ambassador" for the teaching profession. This individual is selected through the Those

Who Excel program from a group of finalists statewide. The selected teacher acts as "ambassador" during the second semester and is also provided with the opportunity to spend the following year in advanced studies. As an "ambassador," the teacher travels around the state speaking to civic groups, parent groups, inservice workshops, college classes, career nights, the news media and other forums. Finalists are often asked to represent the Teacher of the Year at events he or she cannot attend.

The Those Who Excel program is available to all public and nonpublic schools in Illinois. Candidates from seven categories are nominated and selected, ranging from noncertificated staff through administrators.

Two local districts receive the grant funds during any given fiscal year. The grants are based on the Teacher of the Year's salary and benefits, substitute costs, travel and related expenses. The funding level of $150,000 allows the Teacher of the Year to speak to more than 100 schools and organizations across the state.

## TEACHER FRAMEWORK IMPLEMENTATION

The Teacher Framework Implementation is authorized by P.A. 90-548 (ILCS 5/21-0.01 et al.). The purpose of the Teacher Framework Implementation is to restructure the preparation, induction, certification, and continuing professional development of teachers. This purpose is predicated upon research that indicates the quality and competency of the professional educator is the single greatest determinant in student achievement.

The *Illinois Framework for Restructuring the Recruitment, Preparation, Licensure, and Continuing Professional Development of Teachers* was published by the State Board of Education in November 1996 and identified eight policy initiatives. These policies promoted reforms in recruitment to the profession, professional standards, state licensure and certification, school cultures, teacher and administrator preparation, assessment, continuing professional development, and new teacher induction. The reform initiatives detailed by the Board were the product of a State Board Strategic Agenda Team, a joint task force of the University of Illinois at Chicago and the State Board, a professional development team appointed by the Board, and the report of the National Commission on Teaching and America's Future.

The program also supports the implementation of components of P.A. 90-548, particularly in the identification of teaching and administrator standards, continuing professional development activities, procedures, infrastructure, and revised assessments of teacher performance and knowledge.

All teachers, prospective teachers, and school administrators in Illinois will ultimately receive certificates under the guidelines of this program and the legal requirements mandated by the statute. The funding level of $400,000 supports the development and implementation of standards for teachers, administrators, and school service personnel; the redesign of initial teacher and administrator preparation programs; the criteria for induction programs for novice teachers; and continuing professional development opportunities for certificate renewal.

## TEACHERS' ACADEMY FOR MATH AND SCIENCE

The Teachers' Academy for Mathematics and Science, established in Chicago with funding from the U.S. Department of Energy, the National Science Foundation, and the State Board of Education, fosters systemic improvement in selected schools within the district for the reform of mathematics and science education. Emphasis is on professional development and peer support.

The Teachers' Academy is providing on-site school improvement assistance to schools in Chicago District #299, especially low-performing schools. Funds are distributed based on a grant to the Teachers' Academy for Mathematics and Science. The funding level is $5,500,000.

## TECHNOLOGY FOR SUCCESS

Technology for Success is authorized by P.A. 89-21. This initiative encompasses many aspects of deploying a technology infrastructure and assuring that this investment benefits all Illinois learners. This comprehensive approach is to sustain infrastructure growth and increase the traffic on the network; develop prototypes of new designs for teaching and learning now possible through technology; build the capacity of all Illinois schools to integrate technology in learning; increase public awareness of the need for technology; enhance the ability of the Learning Technology Hubs to support local use of technology and access; expand and enhance the learning models established in FY97; support school improvement through technology and telecommunications; and continue the requisite strategic planning in the field of technology.

In FY99, all school districts, Regional Offices of Education, and Intermediate Service Centers received financial support or services to enhance Learning Technologies. Funds are awarded based on contracts and grants to school districts and regional educational agencies.

The funding level of $46,250,000 supports the following:

- Establishing networks and infrastructure for K-12 education to provide a communication link to district facilities. This will make district-wide communications possible and provide access to all the resources available on the Internet, including staff development for the use of Internet resources. In addition, this will build on the communication backbone started in FY96.
- Promoting the use of technology in the classroom. As technology becomes more readily available, it will be very important to have in place progressive programs relating to enhanced school improvement and increased student achievement that can be shared with other schools. A dissemination network will be expanded so that information and staff development on the use of technology in the classroom are accessible to all public school district personnel.
- Initiating and sustaining technology leadership and capacity-building activities to provide ongoing statewide assessment of technology capacity, develop regionalized technical assistance to schools, increase inservice teacher education and library/media resource capacity, support technology planning, provide local school districts technology funds through a statewide allocation process and the integration of technology into a standards-led system, and leverage resources through partnerships and grants for networking among Illinois State Board of Education program participants.

## TEXTBOOK LOAN PROGRAM

The Textbook Loan Program is authorized by Section 18-17 of the School Code. This initiative provides the opportunity for all public and nonpublic students enrolled in grades K-12 to use textbooks at no cost to parents or schools. Funds allow only a few grades at a time to be eligible for this loan program. The program was recently expanded to include instructional computer software.

The Illinois Textbook Program is not a reimbursement program. Parents and/or students request to participate in the program. Title selections are made available to local schools, public and nonpublic, from the list of publishing companies bonded with the State of Illinois. The requests are forwarded to the regional superintendents, who review the forms and send them to the Illinois State Board of Education. The agency then orders the titles for direct shipment to the schools and reimburses the publishing companies upon notification of receipt by the schools. The Fiscal Year 1999 appropriation was $24,192,100.

## TRANSPORTATION – REGULAR AND VOCATIONAL

Transportation–Regular and Vocational is authorized by Section 29-5 of the School Code. This initiative represents two of the four transportation funding programs of the State Board. The State provides reimbursement to school districts for certain pupil transportation costs.

- Pupils generally eligible for this funding are those residing 1 1/2 miles or more from their attendance center and those who would have to walk to school through a safety hazard area.
- Pupils who attend an approved vocational program and are transported by their resident district during the school day are also eligible.

The remaining transportation programs are special education transportation reimbursement and pupil/guardian transportation reimbursement. The regular pupil transportation reimbursement formula provides reimbursement, on a prior-year basis, of the difference between a district's allowable costs and the computed minimum local taxes, which is determined by a district's General State Aid assessed valuation and the qualifier assigned to each district type. State reimbursement is made on a quarterly basis for claims filed by districts for the costs in the prior fiscal year. The funding level for Fiscal Year 1999 was $155,582,600.

## TRANSPORTATION – REIMBURSEMENT TO PARENTS

Transportation–Reimbursement to Parents is authorized by Section 29-5.2 of the School Code. The State provides reimbursement to parents or guardians of eligible students for qualified transportation expenses. Student eligibility criteria for this initiative include the following:

- The pupil must be under age 21 at the close of the school year;
- The pupil must be a full-time student in grades K-12;
- The pupil must live either: 1) 1 1/2 miles or more from the school attended; or 2) within 1 1/2 miles of the school attended, where a verified safety hazard exists (similar to the safety hazard mechanism in regular/vocational transportation reimbursement); and
- The pupil did not have access to transportation to and from school provided entirely at public expense.

Additionally, the parent/guardian needs to reside in Illinois; the school must be in Illinois; and the parent/guardian has to incur expenses for transporting the pupil. The claim amount paid is limited to the appropriation level; thus, the amount per pupil is derived by dividing the appropriation level by all eligible pupils. By statute, claimants are supposed to receive the lesser of the actual cost of providing transportation versus the average pupil reimbursement paid to public schools (approximately $150). The funding level for Fiscal Year 1999 was $10,120,000.

## TRANSPORTATION - SCHOOL BUS SAFETY CONTROL DEVICES

Transportation-School Bus Safety Control Devices are authorized by Section 625 ILCS 5/12-807.2. The purpose of this program is the continued support of local districts to equip their school buses with school bus safety control devices required by law. Funds are provided on a first-come, first-served reimbursement basis. The Fiscal Year funding level of $500,000 helps districts continue equipping school buses to meet the December 31, 1999, compliance date.

## TRANSPORTATION - SPECIAL EDUCATION

Transportation-Special Education is authorized by Section 14-13.01(b) of the School Code. The program helps districts meet the costs incurred in transporting pupils with disabilities who have special transportation needs. The state reimburses school districts transporting students with disabilities if their Individual Education Plan (IEP) requires special transportation assistance as a related service, or the nature of their disability is such that the service is required.

The formula states that reimbursement to districts is in the amount of 80% of the "allowable costs" of transportation. The child may be placed, by the district, in either a public or approved private setting to receive the necessary special education and related services. These settings may be for day and/or residential services.

As school districts continue to provide more options for inclusive services to students with disabilities, transportation will continue to be a need in order to have children with special needs transported to their home school as well as to community schools as needed. More than 25 percent of all identified pupils with disabilities require special transportation services to and from special education programs due to the program location and/or the students' disabilities. The state program pays a maximum of 4/5 of the district's allowable costs for transporting pupils with disabilities. Districts are reimbursed quarterly for their claims against prior-year expenses. The funding level for Fiscal Year 1999 was $141,138,900.

## TRUANT/DROPOUT/OPTIONAL EDUCATION

Section 2-3.66 of the School Code (105 ILCS 5/2-3.66) authorizes the State Board of Education to provide grants for the establishment of the Truants' Alternative and Optional Education Program (TAOEP). This program, which offers part-time or full-time options to regular school attendance, provides modified instructional programs or other services designed to prevent students from becoming truant or dropping out of school. The program serves dropouts up to and including students 21 years of age and students identified as potential dropouts including truants and uninvolved, unmotivated and disaffected students. This initiative links to the State Board's Strategic Commitment of ensuring that students at risk of academic failure are able to meet the Learning Standards. Funds are awarded on a three-year competitive cycle basis through a request for proposal process.

Recent evaluation findings indicate that 86% of the potential dropouts served through the TAOEP had positive outcomes, while 84% of the chronic truants and 72% of retrieved dropouts were reported as having positive outcomes. Guidance counseling was the most frequently provided service for chronic truants, while academic counseling was the most frequently provided service for retrieved dropouts. TAOEP providers have increased the effectiveness of their programs but changes in referral patterns and other service cuts have resulted in a net reduction in services available to potential dropouts, chronic truants and high school dropouts. The most frequent positive outcome for high school dropouts was improved attendance, followed by earning a high school diploma. These outcomes serve as the measures for program success. The funding for Fiscal Year 1999 was $17,460,000.

## URBAN EDUCATION PARTNERSHIP GRANTS

Urban Education Partnership Grants support innovative programs and activities at the local school level that will result in improved student achievement through the enhancement of authentic partnerships with other education stakeholders and community and family members. Proposals are developed by local schools with the building principals as the project directors. All grants must have a collaborative partnership with an external agency such as a business, social service agency, community-based organization, or local government unit. The goal is to develop unique programs that provide systemic changes in the academic environment of the school. The population served during FY98 included 11,434 students and 980 teachers within 46 urban and urban-like school districts throughout Illinois.

Grant awards in amounts up to $30,000 per year have been given to attendance centers in urban school districts through a competitive application process. The funding level for Fiscal Year 1999 was $1,450,000.

## VOCATIONAL EDUCATION – VOCATIONAL INSTRUCTOR PRACTICUM/ STAFF DEVELOPMENT

Vocational Education -- Vocational Instructor Practicum/Staff Development is authorized by Section 2-3.68 of the School Code. This program supports the implementation of the Education-to-Careers initiative by integrating technologies into the teaching and learning process through internships that help educators use the most up-to-date technology available in businesses around the state. It supports exploring education implications of the changing world, with particular attention to future learning environments, by analyzing the community as a learning place. The program familiarizes vocational educators, counselors and administrators with current trends and technologies in today's ever-changing world of work by building collaborative relationships with employers and other partners. Taken back to the classroom, these experiences encourage teachers, counselors and administrators to enhance instructional strategies and incorporate teaching techniques into the curriculum.

Competitive grants up to a maximum of $2,000 are awarded to individual teachers, counselors and administrators for the purpose of working in the private/public sectors, primarily during the summer months. The funding level for Fiscal Year 1999 was $1,299,800, which allowed approximately 1,000 individuals to receive the above experiences.

## VOCATIONAL EDUCATION – STATE

Vocational Education – State is authorized by Paragraph 697 of the School Code. The career and technical education delivery system, which assists in implementing Illinois' Education–to-Careers System, provides educational program opportunities in occupational information, specific job training and occupational retraining. This system assists in maintaining and expanding the skills of the state's labor force and promotes economic growth and development.

All of the state's elementary, secondary, postsecondary and adult populations may participate in and be served through regular or special vocational-technical education programs. Regional delivery systems and community colleges coordinate the delivery of employment preparation programs for youth and adults. Formula reimbursement, competitive requests for proposals and formula-driven grants are used to distribute various portions of these funds. Formula distributions are driven by career and technical education credits generated by students in approved programs. The credits are weighted by local tax basis and program efficiency factors. The funding level for Fiscal Year 1999 was $46,874,500.

## VOCATIONAL EDUCATION – TECHNICAL PREPARATION

Technical Preparation provides linkages to postsecondary education, ensuring that students enrolled in Tech Prep programs have opportunities to pursue two-year postsecondary or baccalaureate degrees. Tech Prep also contains all other elements fundamental to effective Education-to-Careers programming. These include integrating academic and vocational education and expanding and strengthening partnerships with business and industry. The objective of Technical Preparation is to prepare qualified students to meet the increasingly demanding requirements of the high-skill job market. Programs are developed at the secondary school and community college level. A portion of these funds will be used for coordination, teacher inservice, curriculum development, program improvement, development of work-based learning opportunities, and career-planning activities to support the Tech Prep initiative.

All 39 community college districts and 59 secondary regional vocational systems are involved in planning and implementing Tech Prep throughout their geographic service areas. Funds are awarded to community colleges, secondary vocational regional systems, universities and private sector partners via allocation grants and/or competitive grants based on program quality indicators.

The Fiscal Year 1999 funding level of $4,567,000 was used to support continued development of Tech Prep programs at the state and local levels. Primary emphasis focused on linking Tech Prep to Education-to-Careers, providing career guidance and development related to career majors, strengthening articulation and transfer of credits from secondary to post-secondary education, and providing technical assistance and inservice to local sites.

## VOCATIONAL EDUCATION - WORK-BASED LEARNING

Vocational Education - Work-Based Learning provides funds to help initiate new work-based learning programs within the Education-to-

Careers system and to help make Education-to-Careers an integral part of school improvement. It provides high school students with worksite learning experiences that prepare them with the necessary skills and competencies to enter high-skilled, high-wage careers. The system includes comprehensive work-based learning geared to the needs of specific industries and occupations. Students reinforce classroom instruction by spending a portion of their instructional time at the workplace in work-based learning activities.

The primary focus of this grant is at the secondary level to reinforce and relate learning standards, occupational skills, and employability skills taught in the classroom to careers in Illinois. Education for Employment (EFE) Regional Systems and business-industry as consortia are eligible to participate. During FY99, approximately 20 sites were funded for a second year to serve students in a variety of occupational disciplines. Beginning in FY99, 15 additional sites were funded to assist high schools in developing non-traditional work-based learning experiences, including engaging small business in providing work-based learning, developing school-based enterprises, and helping students gain entrepreneurship skills.

Funds are awarded through competitive or continuation grants to eligible recipients willing to develop work-based learning in various occupational areas. The funding level for Fiscal Year 1999 was $1,000,000.

## NON – GENERAL REVENUE FUNDS

Non – General Revenue Funds include the Driver Education Fund, the Emergency Financial Assistance Fund, the School Contruction Program, the School Technology Revolving Fund, and the Teacher Certification Fee Revolving Fund. The following narratives provide a brief description of each program's purpose.

### DRIVER EDUCATION

Driver Education is authorized by Section 27-24 of the School Code. The program reimburses local public school districts for providing driver education instruction. Funds for this program are generated from driver's license fees and a portion of the fines levied for certain motor vehicle violations.

Every district that maintains grades 9 through 12 must offer classroom and behind-the-wheel training. High school pupils in public and nonpublic schools in the district are eligible to enroll in the course, as are all other residents between the ages of 15 and 21 who have valid driver's licenses (permits). The state reimburses districts for a portion of the prior year's per-pupil costs of classroom and behind-the-wheel instruction. The funding level for Fiscal Year 1999 was $15,750,000.

### EMERGENCY FINANCIAL ASSISTANCE FUND

The Emergency Financial Assistance Fund is authorized by Article 1B of the School Code (105 ILCS 5/1B). This appropriation provides loans to school districts that are approved for emergency financial assistance. Eligibility criteria are specified in Article 1B of the School Code (School District Financial Oversight Panel and Emergency Financial Assistance). All repayments (with simple interest at a rate of 4%) made by a school district is received by the Illinois State Board of Education and deposited in the School District Emergency Financial Assistance Fund.

Eligibility is limited to school districts that have an approved petition for emergency financial assistance under the provisions of the Article 1B of the School Code. Loans are made to school districts that are approved for emergency financial assistance. The funding level for Fiscal Year 1999 was $805,000.

### SCHOOL CONSTRUCTION PROGRAM – SCHOOL INFRASTRUCTURE FUND ADMINISTRATION

School Construction Program – School Infrastructure Fund Administration is authorized by 30 ILCS 105/6z-45. The funds support statutory responsibilities for administration and implementation of the School Construction Program. Responsibilities include promulgating rules deemed necessary for carrying out its responsibilities under the provisions of the School Construction Law. approving district facilities' plans of applicants, accepting all program applications for Construction Grants and Debt Service Grants, calculating grant indexes for school districts, developing eligibility standards for Construction Grants and Debt Service Grants, developing standards for determining the priority needs of school construction projects based upon approved district facilities plans and a list of specific priorities, awarding school Construction Grant Entitlements and Debt Service Grants

Approximately 400 unit districts and 200 elementary and secondary districts are eligible to apply for funds under the School Construction Program. Administration costs associated with supporting the School Construction Program are reimbursed. The Fiscal Year 1999 funding level was 600,000.

## SCHOOL CONSTRUCTION PROGRAM – SCHOOL TECHNOLOGY REVOLVING LOAN PROGRAM

School Construction Program – School Technology Revolving Loan Program is authorized by Sections 2-3.117 and 2-3.117a of the School Code. The School Technology Revolving Loan Program provides affordable financing for school technology hardware improvements. School technology loans are available to school districts to purchase technology hardware for students and staff for eligible grade levels on a three-year rotating basis: grades K-4 in year one (FY99) and each third year thereafter, grades 5-8 in year two (FY00) and each third year thereafter, and grades 9-12 in year three (FY01) and each third year thereafter. The funding level for Fiscal Year 1999 was $30,000,000.

## SCHOOL TECHNOLOGY REVOLVING FUND

The School Technology Revolving Fund is authorized by Public Act 90-463. The School Technology Revolving Fund enables students to benefit from technology as a learning tool by providing nonpublic K-12 schools and permissive members across Illinois with affordable Internet access. These applicants purchase the necessary equipment and circuits from the Illinois State Board of Education's LincOn Network. LincOn provides applicants with low subscription rates, along with connectivity options which best suit the clients' needs.

Applicants include permissive members: elementary and secondary schools (K-12), including private nonprofit elementary and secondary schools, private nonprofit colleges and universities, public community colleges, public libraries, public colleges and universities, public museums, and public municipal and local governments. Permissive members pay a one-time enrollment charge and an annual subscription fee. Fees collected through the Revolving Fund are used to reimburse the state for costs associated with the connection of nonpublic K-12 schools and other permissive members.

The Fiscal Year funding level of $500,000 supports the following

- promotes the use of technology in the classroom and offers students the opportunity to enhance the learning process via the Internet
- provides affordable Internet access and connectivity to all LincOn members as well as ongoing maintenance to the LincOn backbone
- sustains technology leadership by assisting new members access Internet by providing services such as equipment, site construction, and circuit installation and by providing all members with ongoing customer service

## TEACHER CERTIFICATION FEE REVOLVING FUND

The Teacher Certification Fee Revolving Fund is authorized by Section 21-12 of the School Code. The Teacher Certification Revolving Fund was created to receive a portion of the fees charged for the application of each certificate or evaluation of credentials. The funds received are used to provide the technology and other resources necessary for the timely and efficient processing of certification requests. Funds support administration to provide for temporary assistance during high-demand periods, funding for equipment needed to link ROEs to the ISBE computerized teacher certification database, enhancements to the software system, upgrades to the technology used to process certificate and endorsement applications.

The Fiscal Year funding level of $450,000 supports the expanding use of technology in processing and maintaining certification records. Enhancements to the Teacher Certification Information System will allow the Illinois State Board of Education access to registration information and better inform us about teacher supply and demand. It will allow the regional offices of education instant access to over 600,000 files when assisting clients applying for certificates, endorsements and approvals, thus allowing them to be more efficient in registration and certification processing.

## Summary of State Funding Fiscal Year 1999

| | Subtotal | Total |
|---|---|---|
| *Appropriated to the State Board of Education* | | |
| General State Aid | | $2,923,000,000 |
| Supplementary (Hold-harmless) Payments | | 58,000,000 |
| Supplementary State Aid for New and Certain Annexing Districts | | 6,000,000 |
| Educational Service Regions | | 8,296,900 |
| Salaries of Regional Superintendents and Assistant Regional Superintendents | 6,318,600 | |
| Audits | 506,300 | |
| Supervisory | 102,000 | |
| City of Chicago Responsibilities | 870,000 | |
| Technology Plan | 500,000 | |
| Liability Coverage (Sec. 2-1.24 of the School Code) | | 3,000,000 |
| Tuition of Children from Orphanages, Children's Homes, or in State-Owned Housing | | 14,410,000 |
| Tax-Equivalent Grants | | 185,800 |
| Emergency Financial Assistance (Section 1B-8) | | 805,500 |
| Teacher's Retirement Systems | | 176,900 |
| Chicago | | |
| One-Time Payment to TRS, Section 16-133.2 of the Illinois Pension Code | 142,900 | |
| Early Retirement Incentive Programs | | |
| (Section 16-133.5 of the Illinois Pension Code) | 34,000 | |
| Pupil Transportation | | 307,341,500 |
| Regular and Vocational | $155,582,600 | |
| Special Education | 141,138,900 | |
| Parent or Guardian Grant Program | 10,120,000 | |
| School Bus Safety Control Program | 500,000 | |
| Driver Education | | 16,577,400 |
| Program Reimbursement | 15,750,000 | |
| Administration | 827,400 | |
| Adult Education and Literacy | | 26,345,400 |
| Section 3-1, Adult Education Act | 7,277,200 | |
| Public Assistance | 10,068,200 | |
| State Performance | 9,000,000 | |
| Special Education | | 530,538,400 |
| Personnel | 228,698,300 | |
| Private Tuition | 35,270,600 | |
| Extraordinary | 130,761,100 | |
| Orphanages | 127,092,100 | |
| Summer School | 3,395,600 | |
| Residential Services Authority | 345,000 | |
| Philip J. Rock Center and School/ Materials for Visually Impaired | 3,475,700 | |
| Regional Low-Incidence Handicapped | 1,500,000 | |

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| Recording for the Blind and Dyslexic | | 175,000 |
| Illinois State Free Lunch and Breakfast Programs | | 16,516,800 |
| Bilingual Education | | 56,202,000 |
| Chicago | 31,883,200 | |
| Downstate | 23,718,800 | |
| Statewide Bilingual Assessment Program | 600,000 | |
| Vocational Education | | 57,574,300 |
| Basic Programs | 46,874,500 | |
| Vocational Education Staff Development | 1,299,800 | |
| Vocational Education Technical Preparation Programs | 5,000,000 | |
| Partnership Academics | 600,000 | |
| Jobs for Illinois Graduates | 2,800,000 | |
| Work-Based Learning Programs | 1,000,000 | |
| Learning Standards Administration | | 1,286,500 |
| Early Childhood Block Grant | | 153,663,600 |
| Early Childhood Administration | | 508,200 |
| Ebringer School (equipment for the handicapped) | | 25,000 |
| School District 64 (underground tank removal) | | 180,000 |
| Addison District 4 (remodel dormitory at Lutherbrook Ed Center | | 100,000 |
| Lincoln-Way CHSD 210 (Special Olympics uniform and equipment for special education) | | 25,000 |
| East Colma District 120 Elementary School (team-building program) | | 2,000 |
| Des Plaines CCSD 62 (Sparks Day Care Program) | | 250,000 |
| Sterling High School (auditorium improvements) | | 150,000 |
| Glenbard District 87 (technology upgrades) | | 50,000 |
| Glen Ellyn School District 89 (technology upgrades) | | 100,000 |
| Frederick Stock School (specialized computer equipment) | | 100,000 |
| Milne-Kelvin Grove School District 91 (infrastructure improvements) | | 310,000 |
| Austin High School (Safe Haven after-school programs) | | 150,000 |
| Dole Learning Center Accessibility Project, Phase II | | 150,000 |
| Northwest Neighborhood Federation Education Advocacy | | 60,000 |
| Youth Outreach Services and Youth Leadership Development | | 50,000 |
| Kelvyn Park High School (college recruitment activities) | | 40,000 |
| Near Northwest Civic Committee | | 60,000 |
| Ruiz Belvis Cultural Center | | 30,000 |

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| Erie Neighborhood House | 60,000 |
| Christopher House | 85,000 |
| Lathrop Community Music Center | 35,000 |
| Uptown Community Learning Center | 85,000 |
| ACORN (establishment of a charter school) | 100,000 |
| Major Adams Youth Programs | 89,500 |
| Fairmont School District 89 (infrastructure repairs) | 541,000 |
| Crete-Monee School District 201U (emergency financial assistance) | 1,100,000 |
| Bloom High School District 206 (one-time debt retirement expenses) | 500,000 |
| Sherrard CUSD 200 (construction of an athletic field) | 500,000 |
| City of Chicago School District 299 (equipment, books, and furniture for Southside College Preparatory Academy) | 50,000 |
| City of Chicago School District 299 (equipment, books, and furniture for Morgan Park High School) | 50,000 |
| City of Chicago School District 299 (equipment, books, and furniture for Van Vlissingen Elementary School) | 25,000 |
| Chicago School District 299 (equipment, books and furniture for Keller Elementary Magnet School) | 25,000 |
| Chicago School District 299 (equipment, books, and furniture for Cassell Elementary School) | 25,000 |
| Chicago School District 299 (extended-day summer school at Carrol Elementary School) | 82,000 |
| City of Chicago School District 299 (school safety initiatives) | 100,000 |
| Malo Youth Center (after-school programs and vocational training for inner-city youths) | 35,000 |
| Wheeling CCSD 21 (after-school and evening operational hours for youth activities) | 100,000 |
| Collinsville CUSD 10 (technology improvements) | 40,000 |
| Putnam CUSD 535 (completion of track and field projects, including incurred costs) | 15,000 |
| Logan Square Neighborhood Association (all costs associated with adult education, youth programs, and family-focused services) | 340,000 |
| Jane Addams Resource Corporation (GED preparation program) | 50,000 |
| Nashville CHSD 99 (track improvements) | 50,000 |
| Little Village Community Development Corp. (school day care initiatives) | 100,000 |
| Community Christian Alternative Academy (equipment and infrastructure improvements) | 75,000 |

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| Education to Careers: Career Awareness and Development Initiatives | 1,117,800 |
| Gifted Education | 19,695,800 |
| Learning Improvement and Quality Assurance | 9,026,500 |
| Public and Nonpublic Textbook Loan Program | 24,192,100 |
| Block Grants (Section 1C-2 of the School Code) | 26,000,000 |
| Block Grants/School Safety and Educational Improvement Programs | 56,500,000 |
| K-6 Planning District-wide Comprehensive Arts Program | 499,700 |
| Certification Testing (Basic Skills and Subject Matter Knowledge) | 655,000 |
| Illinois Goal Assessment Programs and Prairie State Exams (Operational Expenses and Technical Assistance) | 10,555,000 |
| Reading Improvement, Grades K-6 | 83,389,500 |
| General Educational Development (GED) Testing | 210,000 |
| Technology for Success Program | 46,250,000 |
| Consumer Education Proficiency Test Development | 150,000 |
| Regional Offices of Education and Intermediate Service Centers | 12,360,000 |
| Illinois Administrators' Academy | 858,000 |
| Teachers' Academy for Mathematics and Science (Chicago) | 5,500,000 |
| Dropout and Alternative Education Programs | 17,460,000 |
| ROE Alternative Education Programs | 15,000,000 |
| Program Evaluations | 200,000 |
| Governmental Student Internship Program | 129,900 |
| Hispanic Student Programs | 374,600 |
| Agricultural Education Program | 1,500,000 |
| Center on Scientific Literacy/Scientific Literacy Promotion Programs | 8,583,00 |
| Minority Transition Program | 300,000 |
| Illinois Scholars Program | 1,704,300 |
| Illinois Teacher of the Year Award | 150,000 |
| Illinois Partnership Academy | 600,000 |
| Urban Education Partnership Grants | 1,450,000 |
| Project Jumpstart | 2,000,000 |
| Teacher Framework Implementation | 400,000 |
| Initiative for National Board Certification | 75,000 |
| Leadership Development Institute Program | 350,000 |
| Electronic Long Distance Network, Inc | 1,700,000 |
| Family Literacy Project | 100,000 |
| Capital Infrastructure Program | 30,600,000 |
| Metro East Consortium for Student Advocacy | 250,000 |
| School Technology Revolving Loan Program | 30,000,000 |
| Projects Supported by Private Sources | 1,093,000 |

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| Report Cards (Printing and Distributing) | | 1,318,500 |
| Criminal Background Investigations | | 509,900 |
| Statewide Educational Network | | 500,000 |
| Professional Development Block Grant | | 327,500 |
| Education Technology Program | | 850,000 |
| Illinois State Board of Education | | 30,832,200 |
| General Operations | 24,834,000 | |
| Teacher Certification and Technology Fund | 450,000 | |
| JTPA Administration | 4,804,500 | |
| JTPA Indirect Cost Reimbursement | 12,000 | |
| Board Services | 363,000 | |
| Regional Office of Education Service | 368,700 | |
| ***Subtotal*** | | **$4,632,011,000** |
| *Appropriated to Other State Agencies* | | |
| Teachers' Retirement Systems | | $ 605,339,700 |
| Downstate | 512,757,000 | |
| Chicago | 65,044,700 | |
| Teachers' Health Insurance | 27,538,000 | |
| Capital Development Board (appropriations and reappropriations) | | 327,550,000 |
| Illinois High School Athletic Hall of Fame | 250,000 | |
| School Construction Grants | 327,000,000 | |
| Nipper School in Maryville (infrastructure) | 300,000 | |
| Commerce and Community Affairs | | 189,252 |
| Reappropriation for Statewide School Weatherization Program | 169,252 | |
| Funston School Community Center | 20,000 | |
| Illinois Department of Corrections School District | | 41,457,200 |
| Illinois Mathematics and Science Academy | | 13,122,000 |
| State Treasurer | | |
| School Construction Bonds – Debt Service | | 22,140,000 |
| Principal | 14,846,000 | |
| Interest | 7,294,000 | |
| Secretary of State | | 7,150,000 |
| Penny Severns Early Childhood Reading Program Centers | 250,000 | |
| Literacy Program | 5,000,000 | |
| Family Literacy Program | 1,900,000 | |
| Department of National Resources | | 5,025,000 |
| Shirland Township and School District (recreation equipment) | 25,000 | |
| Education and Technology (partnership between museums and schools) | 5,000,000 | |
| Court of Claims | | 23,936 |
| Illinois Arts Council | | |
| Gresham Elementary School in Chicago (ceramic arts classes) | | 25,000 |

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| Department of Human Services | | 400,000 |
| Drexel Boulevard Cultural Center | 200,000 | |
| Organization for Youth | 100,000 | |
| The Learning Network | 25,000 | |
| Lawndale Christian Development Corporation | 75,000 | |
| ***Subtotal*** | | **$1,022,422,088** |
| **TOTAL** | | **$5,654,433,088** |

# PART II

## Federal Education Programs

This part provides a brief overview of the educational programs in Illinois' supported by federal funding. The following sections reflect the Fiscal Year 1999 appropriation from federal education funds to the State of Illinois. A financial summary detailing amounts available for Illinois schools and for state administration of programs during Fiscal Year 1999 is provided at the end of this chapter.

Federal grant appropriations are estimated based on the anticipated federal grant award and the amount of carryover funds from the prior fiscal year. Federal funds that are not expended in the current state fiscal year are carryover funds for use in the next state fiscal year. Federal funds are based on the federal fiscal year starting in October through September of the following year and usually have to be expended within 27 months from the beginning of the awarded fiscal year. The federal grant programs administered by the Illinois State Board of Education are described in the following narratives.

### ADULT EDUCATION – FEDERAL

Adult Education – Federal is authorized by the Adult Education and Family Literacy Act P.L. 150-200. To ensure that every Illinois learner reads with understanding and proficiency, federal adult education and literacy funds are used to encourage public schools, community colleges and private nonprofit agencies to initiate and/or maintain courses of study which enable adults and youth whose schooling has been interrupted to obtain an elementary equivalency. The program also enables all adults and youth whose schooling has been interrupted to learn English as a second language or to obtain citizenship. This program is linked to state adult education appropriations to deliver comprehensive services at the local level.

The federal funds are currently distributed to public schools, community colleges and private nonprofit agencies under a competitive process. Setting approved budgets as the maximum reimbursement, programs must also generate all instructional costs using the following formula.

- For adult basic education, the maximum reimbursement per credit hour or per unit of instruction is equal to the General State Aid per-pupil foundation level divided by 60.
- For students enrolled in classes defined and approved as adult secondary education programs, the maximum adult basic education reimbursement rate is multiplied by .90.
- For community college districts, the reimbursement rate in all areas is reduced by the Adult Basic Education/General Education Development/English as a Second Language credit-hour grant rate prescribed in Section 2-16 of the Public Community College Act, as prorated to the appropriation level.

In addition, funded programs may receive reimbursement for transportation and child-care services and other special needs of the students directly related to such instruction. The Fiscal Year 1999 appropriation was $16,000,000.

### CARNEGIE FOUNDATION

The Carnegie Foundation helps schools serving grades 5-8 to implement the recommendations of *Turning Points: Preparing American Youth for the 21st Century*. This report outlines the curriculum, instructional and organizational changes needed in schools to insure that they are meeting the unique developmental needs of early adolescents. Schools serve as systemic change models and are part of a national network of schools engaged in systemic reform: the Carnegie-funded Middle Grade School State Policy Initiative.

Currently there are approximately 1,250 schools in Illinois serving grades 5-8. Ten of these middle grade schools participate in this program. A large part of the grant provides support to these schools. Funds are available to each of the systemic-change schools to implement effective middle-grades practices and engage in systemic-school reform. Additional services are provided to the systemic-change schools through the agreement with the Association of Middle-Level Schools (AIMS). The Fiscal Year 1999 appropriation was $200,000.

## CHARTER SCHOOLS

Charter Schools is authorized by 20 USC 8061-8067. The goal of charter schools is to encourage educational excellence and improve student learning relative to the Illinois Learning Standards, both in new schools and within the existing public schools. Charter schools offer parents, teachers and other responsible parties the opportunity to form innovative public schools that will be exempt from all but the most essential state laws and rules. Accountability for "inputs" is exchanged for accountability for "results."

Charter applicants must describe their educational programs in detail and make a commitment to particular measures of success for their students. All students must take the state assessments in the applicable grades. Only families to whom a particular program appeals will decide to enroll their children, and only if the promised level of success is achieved will they continue to enroll them. Since public funding follows each child entering a charter school, family choices carry direct financial implications for the charter school. Further, the charter school is accountable to a public entity for keeping the commitments it has made in terms of academic achievement and school operation. If the school fails to educate students in keeping with these commitments, or if it violates any of the terms of its charter or the laws that do apply to it, the chartering entity may revoke the charter and the school will close.

In 1996-97, there was one charter school in Illinois and approximately 50 students served. In 1997-98, there were eight charter schools with about 3,400 students served. In 1998-99, there are 14 charter schools in operation, with about 5,000 students projected to be served. Grants are awarded on a competitive basis through a request for proposal process. The $2,500,000 appropriated for Fiscal Year 1999 is used to provide planning and implementation grants to eligible applicants as well as for information and leadership efforts in regard to charter schools.

## CHILD NUTRITION PROGRAMS

The Child Nutrition Programs are authorized by the National School Lunch Act of 1946 and the Child Nutrition Act of 1966 as amended. The purpose of these programs is to reimburse sponsors for a portion of the cost of providing nutritious meals to eligible children.

National School Lunch Program. This voluntary program is open to all public schools, private nonprofit schools and residential child-care institutions which agree to operate a nonprofit lunch program, offer meals to all child in attendance, and protect the anonymity of students eligible for free or reduced-price meals. Lunches offered must meet the Dietary Guidelines for Americans, one-third of the Recommended Daily Allowances for nutrients and specific level of calories. To enable schools to provide low-cost nutritious lunches to students, a flat rate of reimbursement is paid on all lunches meeting these requirements, with additional reimbursement paid for lunches served to students eligible for free or reduced-price meals. Reimbursement rates are increased by two cents for all sponsors having 60 percent or more free and reduced-price lunches in the second preceding school year. The rates of reimbursement are determined at the federal level through the United States Department of Agriculture and are effective July 1 of any year until June 30 the following year. Local program sponsors determine eligibility for free or reduced-price meals utilizing the federal income guidelines published annually by the United States Department of Agriculture and are effective each July 1 of any year until June 30 the following

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year. Federal guidelines provide that the maximum charge to the child for a reduced-price lunch is 40 cents.

School Breakfast Program. This voluntary program is open to all public schools, private nonprofit schools, and residential child-care institutions that agree to operate a nonprofit breakfast program, offer meals to all children in attendance and agree to protect the anonymity of students eligible for free or reduced-price meals. Breakfasts offered must meet the Dietary Guidelines for Americans, one-fourth of the Recommended Daily Allowances for nutrients and specific level of calories. To enable schools to provide low-cost nutritious breakfasts a flat rate of reimbursement is paid on all breakfasts meeting these requirements, with additional reimbursement paid for breakfasts served to students eligible for free or reduced-price meals. The rates of reimbursement are determined at the federal level through the United States Department of Agriculture and are effective July 1 of any year until June 30 the following year. Students qualifying for free or reduced-price lunches also qualify for free or reduced-price breakfasts. Reimbursement rates are increased by 20 cents for schools approved as eligible for School Breakfast Program severe need reimbursement. The maximum charge to a child for a reduced-price breakfast is 30 cents.

Special Milk Program. This voluntary program is open to all public schools and private nonprofit schools, residential child-care institutions, day-care centers, homeless shelters and camps that agree to operate a nonprofit milk program. The purpose of the program is to encourage the consumption of milk by children. Participation in this program is limited to organizations which do not operate a federally funded Child Nutrition Program meal service. Kindergarten students attending half-day sessions when lunch is not available may receive benefits. Federal reimbursement is available for all or a portion of the cost of providing milk to children through two different options. In the paid milk option all children are charged for the cost of providing milk minus the federal reimbursement. The free milk option provides milk free of charge to children who are determined eligible, based on the household income guidelines. Program participants determine eligibility for free milk utilizing the federal income guidelines published annually by the United States Department of Agriculture and are effective each July 1 of any year until June 30 the following year.

Summer Food Service Program. This is a voluntary program available to public schools; private, nonprofit schools; residential camps; state, local, municipal and county government entities; and private not-for-profit organizations not participating in other child nutrition programs during the summer months. The intent of the program is to serve nutritious meals during the summer months to children who during the school year receive free or reduced-price meals through the National School Lunch and Breakfast Programs. If it can be documented that one-half of the pupils in the area served by the sponsor are eligible for free or reduced-price meals during the regular school year, then all children in the area may receive free meals. Reimbursement is available based on the number of meals served to eligible participants. Additional reimbursement is available to assist sponsors in covering administrative costs incurred in operating a summer feeding program.

Child and Adult Care Food Program. It is a voluntary program open to nonresidential child-care centers, Head Start centers, outside-school-hour centers and day-care homes which are licensed by the Department of Children and Family Services (DCFS). All sponsors must be either federally tax-exempt or for profit and have a minimum of 25% of their enrolled children funded by DCFS. This program is designed to encourage the serving of nutritious meals (breakfast, lunch, snack or supper) to enrolled children. Meals must meet federal meal pattern requirements. The adult care portion of the program is administered by the Department on Aging.

Center reimbursement is based on the number of meals/snacks served to enrolled children based on the household income category of the children: free, reduced-price and paid.

Day Care Home reimbursement is divided into two types of payments; administrative and meal. The administrative rate is given to sponsoring organizations, whose payment is based on the number of day care home providers for meals served to children based on their location (percent low income), the provider's household income, or the household income of the parents of the children enrolled in the day care home.

The rates of reimbursement are determined at the federal level through the United States Department of Agriculture and are effective July 1 of any year until June 30 the following year. Sponsors determine the eligibility of children for free or reduced-price meals utilizing the federal income guidelines published annually by the United States Department of Agriculture and are effective each July 1 of any year until June 30 the following year.

In each of these Child Nutrition Programs, sponsors are reimbursed monthly on the basis of claims submitted. The Fiscal Year 1999 Appropriation level was $350,000,000

Food Distribution Program. The Food Distribution Program is designed to help program sponsors reduce the cost of providing meals and to help achieve maximum utilization of agricultural surplus. This voluntary program is open to all public and nonprofit private participating in the National School Lunch Program, nonprofit charitable institutions, summer camps for children, and summer food service programs participating through the USDA Summer Food Service Program. The United States government-donated commodities are made available to participating sponsors based upon the average number of meals served daily to eligible participants. Types and quantities of food vary depending on program type.

## CHRISTA MCAULIFFE FELLOWSHIP

Christa McAuliffe Fellowship is authorized by the Elementary and Secondary Education Act of 1995, as amended by the Improving America's Schools Act of 1994. The McAuliffe Fellowship is a unique annual state-based program to fund the development of products/programs helping improve teaching and learning that supports the Illinois Learning Standards. Fellowship is awarded on a competitive basis through a request for proposal process.

The funds may be used for one-year sabbaticals of study; research or academic improvement; consultation with or assistance to other school districts or private school systems; development of innovative programs, projects or partnerships that involve the business community and the schools; programs that incorporate the use and the sharing of technologies to help students learn; and expanding or replacing model programs of staff development. The Fiscal Year 1999 appropriation was $75,000.

## EDUCATION FOR HOMELESS CHILDREN

Education for Homeless Children is authorized by the Stewart B. McKinney Homeless Assistance Act - Title VII-B (84.196A). This program assures that homeless children and youth have access to schools and all instructional and support services within schools that are offered to non-homeless students. Approximately 8,400 individuals are homeless youth and children on any given day in Illinois. Seventeen (17) programs funded by McKinney funds are operating in Illinois along with one statewide technical assistance project. Nearly half of these homeless children are served by the 17 programs, and many of the others receive services as a result of the statewide technical assistance project.

Grants are awarded through a competitive process to local education agencies that can subgrant special services from private non-profit agencies. Funded projects implement professional development activities for regional superintendents, superintendents, principals, teachers, and support personnel; provide education and training for parents of homeless children about the rights and resources available to children; and establish coordination among schools, pre-schools, and agencies providing services to homeless youth. The appropriation for Fiscal Year 1999 was $1,300,000.

## EMERGENCY IMMIGRANT EDUCATION

Emergency Immigrant Education is authorized by the Improving America's Schools Act of 1994 - Title VII, Part C, Emergency Immigrant Education. This program provides funds for educational services for immigrant children enrolled in elementary and secondary public and nonpublic schools. Funds are used by local school districts to support teacher salaries, purchase materials and otherwise support activities related to educating their immigrant students. The program serves children who were not born in any of the 50 states, e.g., the District of Columbia, Guam, American Samoa, the Virgin Islands, and who have been attending schools in any one or more states for less than three complete academic years.

Eligible immigrant children include only the children of lawful, permanent resident aliens; refugees; parolees; persons of other immigrant status; and immigrant residents in the United States without proper documentation. The term excludes children of foreign diplomats, United States citizens' children who were born abroad, and children of foreign residents temporarily in the United States for business or pleasure. Eligible school districts mean districts in which the number of immigrant children who are enrolled, inclusive of nonpublic schools, is at least 500, or is equal to at least three percent of the total number of students enrolled, whichever is less. There were about 58,904 eligible children reported in Illinois' school districts during the 1997/1998 school year.

This is a formula grant program. The grant funds are initially generated by the immigrant student count reported by LEAs in the spring. In the fall, per-student allocations are determined by dividing the funds available to districts by the total immigrant student count. The district's grant amount is arrived at when the per-student allocation is multiplied by the immigrant student numbers reported the previous spring. The appropriation for Fiscal Year 1999 was $11,250,000.

## GOALS 2000

Goals 2000 is authorized by the Goals 2000 Education Act of 1994 (20 USC 5889). The purpose of this Act is to provide:

- Planning or Implementation Grants for school districts seeking funding to plan or implement initiatives which address district-wide educational improvements.
- Preservice Teacher Education Grants for school districts seeking funding to improve preservice educational programs in partnership with Illinois college and university educators.
- Professional Development Grants for school districts seeking funding for professional development to support innovative programs that focus on increasing educators' knowledge and skills as well as student achievement relative to the State Goals for Learning and the Illinois Learning Standards.

This program allows states to support model programs through a competitive grant process administered by the State Board of Education. The population to be served includes students, educators, and administrators, related services personnel working with educators, preservice educators and students preparing to be educators. Approximately 110 projects will be funded in 1999.

Grants are awarded on a competitive basis through a request for proposal process. Funds are used for consultant fees, equipment, supplies and materials, salaries in support of planning, school reform, professional development and preservice teacher education programs. The Fiscal Year 1999 appropriation was $23,000,000.

## INDIVIDUALS WITH DISABILITIES EDUCATION - BASIC (PART B)

Individuals with Disabilities Education (IDEA) - Basic (Part B) is authorized by the Individuals with Disabilities Education Act (IDEA), as amended by P.L. 101-476 (84.137A). The purpose of this program is to provide supplemental funds for special education and related services to all children with disabilities, ages 3 through 21. These grant funds combined with state and local funds provide all children with disabilities a free, appropriate public education. Over 85 percent of these funds go to school districts and Special Education Cooperatives. The program is current-funded and payments are distributed on a monthly basis. Funds are available to supplement any needed special education and related services, including teacher salaries, aides, related service personnel such as social workers, psychologists, and physical therapists. It also pays for inservice training, specialized consultants, instructional supplies, materials and equipment. The Fiscal Year 1999 appropriation was $180,000,000.

### IDEA - DEAF & BLIND (PART C)

IDEA - Deaf & Blind (Part C) is authorized by the Individuals with Disabilities Education Act (IDEA), as amended by P.L. 101-476 (84.025A). The program provides funds for supplemental services to deaf-blind children throughout Illinois. These funds may be used to provide services to deaf-blind individuals ages birth through 21. Specific activities include inservice training and technical assistance for professionals serving this population, a comprehensive resource library, maintenance of a statewide census of students who are deaf-blind, and assistance in assuring appropriate educational services to children who are deaf-blind. In FY 98, 438 students statewide received services through Deaf-Blind funding. In FY99, an estimated 460 students statewide received these services.

The funds are currently disbursed quarterly. The majority of these funds are distributed by subcontract to the Philip J. Rock Center and School for statewide services to eligible children and youth with auditory-visual disabilities. The Fiscal Year 1999 appropriation was $255,000.

### IDEA–PRESCHOOL

IDEA–Preschool is authorized by the Individuals with Disabilities Education Act (IDEA) as amended by P.L. 101-476 (84.173A). The program provides supplemental funds for special education and related services to children with disabilities, ages three through five. The funds support the employment of teachers and aides and the purchase of material and supplies that assist local school districts provide more comprehensive programs for this early childhood population.

Fiscal Year 1998 established the base year for distribution of funds to the LEAs in which 25,916 children with disabilities age three to five were identified. A base amount of $481.19 per child is made available to schools for this specific age group. Approximately 90 special education districts or cooperatives receive grants, with all elementary school districts receiving supplementary services from these funds.

The program is current-funded and payments are made monthly. Seventy-five percent of the funds available are distributed to approximately 89 local education agencies and special education joint agreements on a per-student basis. The remaining 25% of the funds are used to provide statewide program development activities including a child-find media campaign, establishment of a regional technical assistance system, inservice training and other special projects and to cover the administrative costs of the Illinois State Board of Education. The latter is limited to 5% of the allocation. The Fiscal Year 1999 appropriation was $25,000,000.

### IDEA-STATE IMPROVEMENT GRANTS (PART D)

IDEA-State Improvement Grants (Part D) is authorized by the Individuals with Disabilities Education Act (IDEA), amended as of 1997, by Public Law 105-17, Part D, subpart 1-state improvement grants for children with disabilities. As a part of the comprehensive amendments to the federal legislation on educational services for children with disabilities, Congress has set aside funds to assist state educational agencies and all their partners involved in serving students with disabilities, including parents, in reforming and improving their systems for delivering services, especially the systems for professional development, technical assistance and dissemination of knowledge about best practices.

States are required to use at least 75% of the funds received for professional development of service providers and parents. Funds may be used for grants to local service providers, statewide training, development of interagency agreements, grants to universities and support of parent training. A small portion of the funds may be used to support administrative activities funded by the State Improvement Grant.

There are approximately 265,000 children with disabilities in Illinois served by approximately 53,000 special education personnel (professional and nonprofessional). Most of these children are also served to some degree by regular education personnel and by other state agency and community services personnel. All of these individuals and the parents of the children with disabilities are eligible to participate in the activities funded by the State Improvement Grant.

Funds may be distributed through grants or contracts under the request for proposals process. The appropriation for Fiscal Year 1999 was $2,000,000. The intent of the funding is to help states improve results for children with disabilities.

## IDEA-TRANSITION FOR YOUTH WITH DISABILITIES

IDEA-Transition for Youth with Disabilities program provides federal assistance to youth with disabilities to aid in the transition from secondary school to post-secondary environments such as competitive or supported employment. The Illinois Interagency Coordinating Council (created by Public Act 86-1218, as amended by Public Act 87-909) forms the Illinois Transition Consortium using a statewide collaborative effort involving students, parents, adults with disabilities, private and public service providers, education and rehabilitation professionals, business and community leaders, child advocates, state leaders and representatives of higher education. The Consortium is a five-year, systems-change project that will:

- Create expanded partnerships;
- Form an advisory group to guide the project;
- Conduct focus groups and strategic planning as a basis for systems change efforts;
- Implement systems change based on student outcomes currently being identified in Illinois;
- Conduct yearly needs assessments;
- Initiate early and ongoing parent/family technical assistance and training;
- Develop and implement training for youth with disabilities;
- Target resources to the local level;
- Establish Chicago and East St. Louis alliances, a Training Academy for local stakeholders, and a clearinghouse of information.

Discretionary funds are distributed through regional Education-to-Career partnerships. Six grants were awarded to schools in FY99. Projects have hired vocational specialist coordinators and community employment specialists. Regional and statewide training opportunities were provided for hundreds of teachers, administrators and vocational specialists across the state. The appropriation level for Fiscal Year 1999 was $800,000.

## JOB TRAINING PARTNERSHIP

Job Training Partnership program is authorized through the Job Training Partnership Act (JTPA) as amended (29U.S.C.1501 et seq.). These federal funds provide at-risk (academically and economically disadvantaged) in-school youth education, training and career services to increase the number of students staying in school, graduating from high school or receiving a recognized equivalency degree while preparing them for a career and possible earnings higher than minimum wage. The program also helps ensure that all at-risk students are able to meet the learning and workplace skills required to enter the workforce and secure higher-level educational and occupational skills and decrease welfare dependency.

This program provides at-risk youth (academically and economically disadvantaged) education and training services from the age of 14 through 21 years of age. School districts, Education for Employment Regional Delivery Systems, universities or systems that are involved in providing services to youth for Education-to-Careers receive funds through awarded grants (request for proposals) or continuation grants. The Fiscal Year 1999 appropriation was $4,595,400.

## LEARN AND SERVE AMERICA

Learn and Serve America is authorized by the The National and Community Service Act of 1990, as amended (42 U.S.C. 12501 et seq.), Public Law 103-82 (94.004). The purpose of this program is to assist in developing high-quality service-learning programs in elementary and secondary schools involving a variety of stakeholders in the educational partnership. Service learning is an educational method that engages young people in service to their communities as a means of enriching their academic learning, promoting personal growth, and helping them to develop the skills needed for productive citizenship. The goals of these grants are to fund programs that (1) encourage elementary and secondary school teachers to create, develop and offer service-learning opportunities for all school-age youth; (2) educate teachers about service learning and incorporate service learning opportunities into classrooms to enhance academic learning; (3) introduce young people to a broad range of careers and expose them to further education and training; (4) provide technical assistance and information to facilitate the training of teachers who want to use service learning in their classrooms; and (5) work with local partnerships in the planning, development, and execution of service-learning projects. An estimated 200,000 students statewide in 250 local education agencies will be served. Funds are granted basis through a request for proposals process. The Fiscal Year 1999 appropriation was $2,000,000.

## MEDICAID MATCHING FUND

Medicaid Matching Funds are authorized by the Individuals with Disabilities Education Act (IDEA), as amended by P.L. 101-476 and Title XIX and Title XXI of the Social Security Act. This program provides supplemental funds for special education and related services. LEAs may claim federal Medicaid funds for school-based special rehabilitation services provided pursuant to an Individualized Education Program (IEP) or individualized family service plan (IFSP) and for screenings and diagnostics for children between the ages of birth and 21 who are eligible for Medicaid. The services must be provided prior to billing Medicaid. LEAs may also claim federal Medicaid dollars for administrative outreach activities. These initiatives are financial resources that LEAs may claim for eligible children and youth. It is estimated that 105,000 students with disabilities receiving special education services are also eligible for Medicaid. The Illinois Department of Public Aid will process the claims and draw down the federal funds for deposit into this account. The Illinois State Board of Education will flow the payments to the school district, special education cooperative or regional program providing the services. The Fiscal Year 1999 appropriation was $180,000,000.

## SCHOOL-TO-WORK

School-to-Work is authorized by the School to Work Opportunities Act of 1994. The purpose of this statewide interagency initiative is to implement a statewide system of Education-to-Careers (ETC) as an integral part of educational reform and school improvement. Education-to-Careers provides youth and adults with school-based services, work-based learning and appropriate connecting activities to enable them to transition smoothly from a school setting to the workplace and a quality career path.

This system primarily serves high school and community college students throughout the state. A secondary audience is elementary schools and business/labor partners within local partnerships.

Funds are dispersed to various state agencies, Illinois education agencies and business/labor partners to support statewide initiatives and activities at the local level via allocation and/or competitive grants. The Fiscal Year 1999 appropriation was $20,000,000.

## TECHNOLOGY LITERACY

Technology Literacy is authorized by Title III of the Elementary and Secondary Act, subpart 2 of Part A. The Technology Literacy Challenge Program ensures that public and nonpublic students are technologically literate through the full integration of technology into the teaching and learning process for children. The federal funds demonstrate a national commitment to use technology as a tool to enhance the academic achievements and the future opportunities of all children. Schools are urged to form partnerships with other entities such as higher education, business and industry, libraries and community groups to leverage funds.

The federal government requires that each state award the funds directly to school districts or consortia of school districts on a competitive basis. School districts must conduct meaningful consultation with appropriate nonpublic schools during the development phase of a Technology Literacy Challenge application. In addition, 1/3 of the funds will be granted to school districts with the highest percentage of children in poverty and/or with the greatest need for technology, including applicants who address special needs populations through the use of technology and telecommunications. Grants are awarded on a competitive basis through a request for proposals process. The federal dollars enhance state initiatives that focus on the integration of technology and telecommunications into the schooling process. The Fiscal Year 1999 appropriation was $17,900,000.

## TITLE I - BASIC (PART A)

Title I - Basic (Part A) is authorized by the Improving America's Schools Act (IASA) of 1994, Public Law 103-382. This program provides financial assistance to elementary and secondary school districts for supplemental programs for children from preschool through grade 12 who are at risk of failing to meet the challenging Illinois Learning Standards. All Illinois local education agencies that have at least ten or 2% of their students from low-income families are eligible to receive direct assistance. Students in private, not-for-profit elementary and secondary schools must be afforded the opportunity to participate via their respective public school attendance centers. It is estimated that 760 LEAs participated in FY99. Funds are used for instructional salaries, supplies and materials, consultant fees, and equipment in support of supplemental programs for at-risk students. The Fiscal Year 1999 appropriation was $350,000,000.

## TITLE I - CAPITAL EXPENSE GRANTS

Title I - Capital Expense Grants are authorized by the Improving America's Schools Act (IASA) of 1994, Public Law 103-382. Funds provided under Capital Expense Grants are used by local education agencies for capital expenses related to the provision of comparable Title I services to children attending religiously affiliated private schools. Funds are distributed based upon capital expenses incurred as outlined in the local education agency's application. The appropriation for Fiscal Year 1999 was $3,000,000.

## TITLE I - COMPREHENSIVE SCHOOL REFORM

Title I - Comprehensive School Reform is authorized by the Improving America's Schools Act (IASA) of 1994, Public Law 103-382, and Fund for the Improvement of Education. This program is designed to improve public education by providing incentive grants to school districts to pursue comprehensive school reform. Schools, working with teachers and parents, select or design a comprehensive school reform model based on reliable research and effective practices that fit their students' needs to achieve higher academic standards. Funds are targeted for K-12 students who are most at risk of failing to meet the Illinois Learning Standards. In FY99, 22 school districts serving 109 schools received comprehensive school funding. Funds are awarded on a competitive basis through a request for proposals process.

Grants may be renewable for two years based upon federal appropriation and successful progress. Funds will be used for consultant fees, equipment, supplies and materials, and salaries in support of school reform leading to student achievement. The Fiscal Year 1999 appropriation was $7,000,000.

## TITLE I - EVEN START (PART B)

Title I - Even Start (Part B) is authorized by Part B of Title I of the Elementary and Secondary Education Act of 1965 as amended. This program builds community networks that support the family as an educational unit. Funds are provided to school districts or community-based organizations to support early childhood education activities, parenting education, and adult education for parents into a project that builds on existing community resources. The program serves children ages birth-7 who reside in an elementary area designated for participation in Title 1 and the adults in their families who are eligible for adult basic education. Grants are awarded on a competitive basis through a request for proposals process. Students and parents from 40 local education agencies benefit from this federal funding. Program outcomes include the development of high-quality instructional programs that promote adult literacy, training for parents to support the educational growth of their children, and developmentally appropriate early childhood education services designed to prepare children for success in regular school programs. The Fiscal Year 1999 appropriation was $7,500,000.

## TITLE I - IMPROVEMENT EXPENSE

Title I - Improvement Expense is authorized by the Improving America's Schools Act (IASA) of 1994, Public Law 103-382. This program provides support to schools receiving Title I funds that are interested in becoming "school-wide" program schools. "School-wide" is a federal term used to describe schools that have over 50% of their students meeting low-income requirements and are undergoing a school improvement planning process in order to allocate dollars targeted to low-income students across the school to further their school improvement efforts.

There are over 900 eligible schools in the state. Currently over 400 schools are actual school-wides.

The State Board of Education directs these dollars to Regional Offices of Education through a formula allocation to assist eligible schools as they become school-wides. A portion of these funds is set aside to support Academic Early Warning List activities at ISBE. Funds are used by Regional Offices of Education to provide consultant services and training to schools. The Fiscal Year 1999 appropriation was $3,000,000.

## TITLE I - MIGRANT EDUCATION (PART C)

Title I - Migrant Education (Part C) is authorized by the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988, Public Law 100-297

(84.011A), as amended by the Improving America's Schools Act of 1994. This program provides technical assistance and funds to school districts and community agencies for developing and providing supplemental educational services to meet the educational needs of interstate and intrastate migrant children ages 3 through 21. Funds are generally used for educational services such as activities for preschool-aged children, instruction in elementary and secondary schools, summer schools and identification and recruitment.

Students being served are educationally disadvantaged and are children of seasonal and migratory farm workers of whom 99 percent are Hispanic Mexican-Americans who generally come from Texas, Florida, Washington, and Mexico. In FY99, approximately 3,000 students were served in 14 programs. Three programs operate statewide as resource projects, and the remaining projects are located throughout the state as Local Operating Agencies that are funded to provide direct services to the student population. Other supportive services such as health and dental care, meal programs and social services are used to enhance the instructional program during the summer school component of the program.

Funds are distributed to Local Operating Agencies in amounts determined by negotiations between the State Board of Education and the local service providers. Supportive services in the areas of comprehensive health, professional development and identification and recruitment of migrant students are provided through three competitively bid requests for proposals awarded to two resource providers. Funds are used to pay for teacher and teacher aide salaries for summer and regular term services to migrant students and families and to support teacher training and coordinating services in resource projects. The Fiscal Year 1999 appropriation was $3,155,000.

### TITLE I - NEGLECTED AND DELINQUENT (PART D)

Title I - Neglected and Delinquent (Part D) is authorized by the Improving America's Schools Act (IASA) of 1994, Public Law 103-382. The program is designed to provide supplementary educational services that meet the special needs of children in institutions for neglected or delinquent children who attend community day programs or are in juvenile and adult correctional institutions. The number of children to be served is based on surveys of eligible youth that are completed by the institutions and the Department of Corrections.

The State Board of Education annually notifies each institution and the Department of Corrections as to the amount of funds it is eligible to receive based on the survey described above. Funds are used to support staff, materials and equipment to provide educational services to the eligible population. The Fiscal Year 1999 appropriation was $1,600,000.

### TITLE II - EISENHOWER PROFESSIONAL DEVELOPMENT

Title II - Eisenhower Professional Development is authorized by Title II of the Improving America's Schools Act (IASA) known as the Dwight D. Eisenhower Professional Development Program (84.16A). The purpose of this grant is to provide sustained and intensive high-quality professional development that is aligned with the Illinois Learning Standards. All Illinois local education agencies (LEAs) are eligible to receive direct assistance. Students in private, not-for-profit elementary and secondary schools must be afforded the opportunity to participate. Approximately 870 LEAs participated in FY98.

Title II provides grants to local education agencies directly or through Regional Offices of Education, who may serve as administrative agents for LEAs. Fifty percent of the funds for

LEAs are distributed according to their relative enrollments in public and private not-for-profit schools, and the remaining 50 percent is distributed according to the relative amount each LEA received under Part A of Title I the preceding fiscal year. Funds must be used to incorporate effective strategies, techniques, methods and practices to address the educational needs of diverse student populations to improve the teaching and learning of all students. Funds are used for consultant fees, supplies and materials and equipment in support of high-quality professional development. The Fiscal Year 1999 funding level was $14,000,000.

## TITLE IV - SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES

Title IV - Safe and Drug-Free Schools and Communities is authorized by Title IV of the Improving America's Schools Act (IASA) of 1994, entitled Safe and Drug-Free Schools and Communities Act (84.186). These funds support initiatives to meet the seventh National Education Goal of preventing violence in and around schools. All Illinois local education agencies are eligible to receive direct assistance. Students in private, not-for-profit elementary and secondary schools must be afforded the opportunity to participate.

Seventy percent of grant funds are distributed based on student enrollment. The remaining 30 percent are distributed to LEAs that the Illinois State Board of Education has determined to have the greatest need for additional funds to carry out drug and violence prevention programs. Additionally, funds are available to support demonstration and exemplary programs for the purposes stated above.

These funds support initiatives to prevent the illegal use of alcohol, tobacco, and drugs; involve parents; and coordinate efforts with related federal, state, and community efforts and resources to provide a school infrastructure and learning environment supportive of student learning. The Fiscal Year 1999 appropriation was $27,000,000.

## TITLE VI – INNOVATIVE EDUCATION PROGRAM STRATEGIES

Title VI – Innovative Education Program Strategies is authorized by Title VI of the Improving America's Schools Act (IASA) of 1994 entitled Innovative Education Program Strategies (84-151), formerly Chapter 2, ESEA.

This program supports local education reform efforts that

- are consistent with and support statewide reform efforts under the Goals 2000: Educate America Act;
- improve student achievement relative to the Illinois Learning Standards;
- support state and local efforts to accomplish the National Education Goals;
- provide funding to enable state and local education agencies to implement promising educational reform programs;
- provide a continuing source of innovation and educational improvement, including support for library services and instructional and media materials; and
- meet the special needs of at-risk and high-cost students.

All Illinois local education agencies are eligible to receive direct assistance. Students in private, not-for-profit elementary and secondary schools must be afforded the opportunity to participate. Title VI provides grants to local education agencies. The FY99 allotment formula will distribute not less than 85 percent of the grant to LEAs according to their relative enrollments in public and private nonprofit schools, adjusted to provide higher per-pupil allocations to LEAs that have greater numbers or percentages of children whose education imposes a higher than average cost per child. The Fiscal Year 1999 appropriation was $16,000,000.

## TITLE VII – FOREIGN LANGUAGE ASSISTANCE PROGRAM

Title VII – Foreign Language Assistance Program is authorized by Title VII, Part B of the Improving America's Schools Act, entitled the Foreign Language Assistance Program. This program support initiatives that promote systemic approaches to improving foreign language learning. This federal program funds the creation of model elementary and secondary foreign language programs. Illinois districts receive money through a competitive grant process administered by the State Board of Education. Grants are awarded to LEAs on a competitive basis through a request for proposals process. Funds can be used by LEAs to hire staff, purchase materials, train teachers and staff and otherwise enhance second language programs. The Fiscal Year 1999 appropriation was $500,000.

## TROOPS TO TEACHERS

In cooperation with the U.S. Department of Defense, the Illinois State Board of Education assists in the implementation of a program authorized by Public Law 102-484 to provide military personnel, Department of Defense, Department of Energy and other civilian personnel adversely affected by the military "drawdowns" opportunities to prepare for and secure employment in public education. The goal of the federal legislation is to help improve American education by providing mature, motivated, experienced and dedicated personnel for the nation's classrooms. The main objectives include (1) assisting military and civilian personnel impacted by military reductions to enter a new career in public education; (2) providing positive role models for the nation's public school students; and (3) helping relieve teacher shortages, especially in the subjects of math and science.

The State Board of Education has established an information center within the Division of Professional Certification to guide affected personnel through the teacher preparation and certification process and thus enable them to teach in Illinois public schools. Funding provides a maintenance level of support for agency personnel assigned to the program, including support for an awareness campaign, creation of communications channels, and assistance to candidates in identifying avenues for high-quality preparation, informing them of certification procedures, and identifying career opportunities. The Fiscal Year 1999 appropriation was $100,000.

## VOCATIONAL EDUCATION - BASIC GRANT

Vocational Education - Basic Grant is authorized by Public Law 101-392, Carl D. Perkins Vocational and Applied Technology Education Act of 1998. The Illinois career and technical education delivery system implements the State Board's Education for Employment policy. Regional delivery systems and community colleges coordinate the delivery of employment preparation programs for youth and adults and their training for adaptation to the changing workplace. The Basic Grant supports career and technical education state leadership activities and secondary and post-secondary programs. Funds are designed to develop the academic and career and technical skills of students participating in programs supported by these funds.

The major activities that are funded include

- curriculum development and dissemination efforts;
- improvement of programs through a statewide system of performance standards and measures;
- professional development, including workshops, seminars and institutes for instructors and administrators;
- locally initiated projects for expansion or modernization of programs through curriculum renewal, staff development and instructional equipment;
- assessment and data analysis;
- services designed to enhance student success such as career guidance, counseling, and elimination of sex-bias and stereotyping;

- services for special populations including students with disabilities, disadvantaged students, limited-English-proficient students, potential dropouts, single parents and homemakers, and persons seeking careers in nontraditional fields, and
- incorporating effects of new and emerging technologies into curricula, instruction, and instructional equipment.

Federal funds are distributed to eligible recipients through allocation formulas or on a competitive basis according to the rules and regulations issued for the Carl D. Perkins Vocational and Applied Technology Education Act. Improved student performance is measured in the required areas of 1) academic and career and technical skill proficiencies; 2) education attainment; 3) post-training success such as continued education, military service, or employment; and 4) success of non-traditional students in specific program areas. The Fiscal Year 1999 appropriation was $43,500,000.

## VOCATIONAL EDUCATION - TECHNICAL PREPARATION

Vocational Education - Technical Preparation is authorized by Public Law 101-392, Carl D. Perkins Vocational and Applied Technology Education Act of 1990. Technical Preparation provides linkages to postsecondary education ensuring that students enrolled in Tech Prep programs have opportunities to pursue a two-year postsecondary or a baccalaureate degree. Tech Prep also contains all other elements fundamental to effective Education-to-Careers programming. These include integrating academic and vocational education and expanding and strengthening partnerships with business and industry. The objective of Technical Preparation is to prepare qualified students to meet the increasingly demanding requirements of the high-skill job market. Programs are developed at the secondary school and community college level. A portion of these funds will be used for coordination, teacher inservice, curriculum development, program improvement, development of work-based learning opportunities and career planning activities to support the Tech Prep initiative.

Funds are awarded to community colleges, secondary vocational regional systems, universities and private-sector partners via allocation grants and/or competitive grants based on program quality indicators. Funds will be used to support continued development of Tech Prep programs at the state and local levels. Primary emphasis focuses on linking Tech Prep to Education-to-Careers, providing career guidance and development related to career majors, strengthening articulation and transfer of credits from secondary to post-secondary education, and providing technical assistance and inservice to local sites. The Fiscal Year 1999 appropriation was $6,000,000.

## Summary of Federal Funding for Programs and Administration

| | Subtotals | Fiscal Year 1999 Program Funds | Fiscal Year 1999 Adminis-tration Funds |
|---|---|---|---|
| Improving America's Schools Act, Public Law 103-382, Title I | | $ 368,255,000 | $ 3,495,000 |
| Basic | $350,000,000 | | |
| Neglected/Delinquent | 1,600,000 | | |
| Improvement Grants | 3,000,000 | | |
| Capital Expense | 3,000,000 | | |
| Migrant Education | 3,155,000 | | 216,500 |
| Even Start | 7,500,000 | | 668,700 |
| Title II, Eisenhower Professional Development | | 14,000,000 | 877,500 |
| Title VI, Innovative Education Program Strategies | | 16,000,000 | 3,570,500 |
| Title VII, Foreign Language Assistance | | 500,000 | 171,800 |
| Individuals with Disabilities Education Act (IDEA) | | 180,000,000 | 5,777,400 |
| Preschool | | 25,000,000 | 1,257,700 |
| Deaf-Blind | | 255,000 | 89,600 |
| Infants and Toddlers with Disabilities | | 28,000,000 | 1,022,900 |
| Youth with Disabilities | | 800,000 | |
| Special Education Medicaid Matching Fund | | 180,000,000 | |
| Illinois Purchased Care Review Board | | | 202,200 |
| Personnel Development Part D Training | | | 304,900 |
| Emergency Immigrant Education Program | | 11,250,000 | 97,900 |
| School Food Service/Child Nutrition | | 350,000,000 | 6,433,000 |
| Nutrition Education | | 650,000 | |
| Vocational and Applied Technology Education (Title II) | | 41,000,000 | 4,967,500 |
| Vocation Education (Title III) | | | 279,100 |
| Job Training Partnership Act (JTPA) | | 4,595,400 | |
| Technology Literacy Program | | 17,900,000 | |
| School-to-Work Program | | 20,000,000 | |
| Adult Education | | 16,000,000 | 1,671,400 |
| Title IV Safe and Drug-Free Schools | | 27,000,000 | 848,500 |
| Training School Health Personnel | | | 351,200 |
| McKinney for Homeless Children | | 1,300,000 | 171,100 |
| Carnegie Foundation | | 200,000 | 155,000 |
| Common Core Data Survey | | | 97,000 |
| Goals 2000: Educate America Act | | 23,000,000 | 288,400 |
| Charter Schools Program | | 2,500,000 | |
| Learn and Serve America (Federal National Community Service Grant) | | 2,000,000 | 119,100 |
| Christa McAuliffe Fellowship | | 75,000 | |
| Title IV | | | 32,200 |
| Title I, Comprehensive Schools Reform Program | | 7,000,000 | |

|  | Fiscal Year 1999 Program Funds | Fiscal Year 1999 Administration Funds |
|---|---|---|
| Troops to Teachers | 100,000 |  |
| IDEA Improvement – Part D | 2,000,000 |  |
| Local Initiative in Character Education | 1,000,000 |  |
| Vocational Education |  |  |
| Basic Grant | 43,500,000 |  |
| Technical Preparation | 6,000,000 |  |
| Court of Claims | 23,900 |  |
| Federal Impact Aid (funds flow directly to school districts from the federal government) | 11,246,170 |  |
| **TOTAL** | **$1,401,150,470** | **$33,166,100** |

# PART III

## Recent State Legislation

This part provides brief synopses of recently enacted legislation affecting instructional programs, board responsibilities, school district accounting practices, and other financial issues. Persons interested in a summary of all recent legislation affecting schools in Illinois should contact the Governmental Relations Unit at 217/782-6510.

House Bill 1640 (Public Act 90-0653) effective July 1, 1998.
Contains clean-up language to House Bill 452 (effective January 1, 1998). These changes include

- defining function codes for purposes of calculating administrative cap to include only 2320, executive administration; 2330, special services administration; 2490, other school administration services; 2510, direction of business support services; 2570, internal services; 2610, direction of central support services;
- excluding early retirement and other mandated retirement payments from the administrative cap;
- removing the provisions of the administrative cap that make comparisons to instructional expenditures;
- allowing districts with administrative cost per pupil in the twenty-fifth percentile by type, after conducting a public hearing on the issue, waive the provisions of the act upon two-thirds vote on the board;
- changing the filing date of the administrative cap report to November 15;
- including provisions to seek a waiver of the administrative cap under Section 2-3.25g of the School Code;
- providing for progressive sanctions by the State Board for noncompliance with the administrative cap requirements;
- adjusting the double-whammy calculations for districts impacted by tax caps;
- removing language that allows prorating of the hold harmless monies;
- providing for audits of block grants;
- changing the school construction grant program to provide for approved districts impacted by the lack of funding; and
- including various changes impacting teacher certification and alternative schools.

House Bill 2844 (Public Act 90-0757) effective August 14, 1998.
Among other provisions of statute, amends Sections 17-2.2a and 19-1 of the School Code. By referendum, special education purposes tax rates per $100 of equalized assessed valuation to a maximum of .40 and .80 for dual and unit districts respectively.

This statute also amends Section 27A-11 of the School Code relieving districts from repaying debt incurred by charter districts as a result of State Board loans for start-up costs.

Senate Bill 1331 (Public Act 90-0719) effective August 8, 1998.
Amends the Property Tax Extension Limitation Law (35 ILCS 200/18-215) for reorganized districts. These provisions correct issues of tax levies not accessed. Referendum requirements for new levies shall not apply.

Senate Bill 1555 (Public Act 90-0688) effective July 31, 1998.
Adds a new section to the Public Funds Investment Act (30 ILCS 235/2.5). The section applies to all governmental units and requires the implementation of an investment policy for all public funds on or before January 1, 2000. The section includes specific items that are to be addressed (safety, rates of return liquidity, etc.).

House Bill 672 (Public Act 90-0737) effective January 1, 1999.
Creates new sections of statute to establish governmental ethics and ban the acceptance of gifts. Governmental boards must appoint an ethics officer to assist in the preparation of economic interest statements, if necessary, and to review said statements prior to filing.

Senate Bill 1335 (Public Act 90-0800) effective January 1, 1999.

Includes school districts in the provisions of the Criminal Code that deal with public contracts (720 ILCS 5/33E-2 et. seq. and 5/5-91.3). Basically, under penalty of law, truthful information shall be provided vendors. Chaining of bids shall not occur.

House Bill 2668 (Public Act 90-0662) effective July 30, 1998.

Adds Section 430 ILCS 15/3.5 and amends Section 430 ILCS 15/7 of the statutes. The provisions require the State Fire Marshall to certify whether or not a district's underground storage tank(s) comply with that office's regulations by affixing notice of it. Districts that do not comply by December 22, 1998, shall have no deliveries made to any non-compliant storage tank.

House Bill 1151 (Public Act 90-0805) effective December 2, 1998.

Amends the Tort Immunity Act (745 ILCS 10/3-108 and 1-210). Limits the standard upon which suites may be brought against governmental entities and employees. Basically, the conduct in question must be willful and wanton.

House Bill 157 (Public Act 90-234) effective January 1, 1998.

This Act amends the Criminal Code; it makes it a Class 4 felony for a child sex offender to knowingly be present on school grounds, in a school building or on a school vehicle where students under 18 are present. The bill also provides for the same penalty for an offender to knowingly loiter within 500 feet of a school; provides exemptions.

House Bill 223 (Public Act 90-499) effective August 19, 1997.

This Act amends the Insurance Code; it authorizes the Illinois Mine Subsidence Insurance Fund to enter into reinsurance agreements with intergovernmental cooperatives that provide self-insurance for mine subsidence losses.

House Bill 231 (Public Act 90-286) effective August 1, 1997.

This Act amends the Property Tax Code. The Plat Act is amended to provide that an owner of land shall submit simultaneously with a subdivision plat a notarized statement indicating the school district in which each tract, parcel, lot or block lies.

House Bill 316 (Public Act 90-146) effective January 1, 1998.

This Act requires printers to use soybean ink in providing printing services to schools unless the school district determines another type of ink is required or will cost less.

House Bill 574 (Public Act 90-459) effective August 17, 1997.

This Act amends numerous sections of the School Code and adds four new sections to the School Code. The Act addresses IASB position statement 7.04 "Annexing District Requirements" brought to the association from the Witt school board calling for the requirement that a petition to annex be voted on by the voters in each affected district and approved by a majority of those voting in each affected district before an annexation can take place. The law also provides provisions for Hollis and Bartonville elementary schools to facilitate their decision to consolidate.

House Bill 652 (Public Act 90-358) effective January 1, 1998.

This Act amends the Election Code, the Special Districts Code, the School Code, and the Higher Education Code. It eliminates the non-partisan election held in November of odd-numbered years and moves to the April consolidated election the election of those officials. School board members elected in 1995 that will be running in 1999 will be elected in April of 1999; however, the election winner will not take office until November of 1999. The same will again occur for those elected in 2001. Starting in 2003, 4-year terms will run from April to April.

House Bill 1117 (Public Act 90-333) effective January 1, 1998.

This Act amends the Criminal Code. It expands the insurance fraud provisions of state law to include fraud on government, including school districts. It also includes self-insured entities to be covered under the various fraud provisions.

House Bill 1702 (Public Act 90-378) effective August 14, 1997.

This Act amends Section 34-2.1 of the School Code. It authorizes the chief executive officer of the Chicago School Reform Board of Trustees, if he determines that a local school council is not carrying out its financial duties effectively, to appoint a representative of the business community with experience in finance and management to serve as an advisor to the local school council. It gives the advisor access to financial records of the council and authorizes him to attend its executive sessions. The Act requires the chief executive officer to issue a written policy defining the circumstances under which the local school council isn't carrying out its financial duties effectively.

House Bill 1883 (Public Act 90-394) effective January 1, 1998.

This Act amends the Counties and Municipalities Codes. It prohibits the location of an adult entertainment facility within 1,000 feet of any school, day care center, cemetery, public park, public housing or place of worship.

House Bill 2132 (Public Act 90-395) effective August 15, 1997.

This legislation creates the School Reporting of Drug Violations Act to require that the principal of the school report to the police within 48 hours the delivery of cannabis and controlled substances occurring on or near school grounds.

Senate Bill 31 (Public Act 90-108) effective July 1, 1997.

This Act amends the Township Code, the School Code, and the Vehicles Code. It prohibits operating a school bus in Illinois after December 31, 1999, unless the bus is equipped with a crossing control arm meeting standards promulgated by the Department of Transportation and the State Board of Education. The retrofitting of school buses with the device is reimbursable through the State Board's transportation reimbursement program.

Senate Bill 66 (Public Act 90-59) effective July 3, 1997.

This Act amends Section 9-11.2 of the School Code. It provides that in school districts that elect board members according to area of residence and that have one or more unexpired board terms to be filled at an election, the winner or winners of the unexpired term or terms shall be determined independently of those running for full terms.

Senate Bill 421 (Public Act 90-100) effective July 11, 1997.

This Act amends Section 34-2.3b of the School Code. It eliminates a requirement that Local School Council training in Chicago Public Schools be provided through Chicago-area universities at the direction of the Dean of the College of Education at the University of Illinois at Chicago. Instead, the Act requires LSC training to be at the direction of the board.

Senate Bill 551 (Public Act 90-515) effective August 22, 1997.

This Act amends Section 10-22.31 of the School Code. It eliminates the requirement that the members of an executive board of a special education joint agreement must be school board members but stipulates that, if superintendents are used, they must be superintendents from the school districts party to the joint agreement.

Senate Bill 555 (Public Act 90-103) effective July 11, 1997.

This Act amends Section 10-22.31 of the School Code and adds Section 10-22.31.1 to the School Code. The Act, created for New Berlin School District in Sangamon County, allows a community unit district to withdraw from a special education joint agreement upon 60 days notice and the filing of an intent to withdraw statement with the governing board of the joint agreement program.

### Senate Bill 558 (Public Act 90-223) effective January 1, 1998.

This Act amends Section 29-3 of the School Code. It addresses transportation requirements for students who live within 1 ½ miles of school but where walking constitutes a serious safety hazard due to vehicular traffic. It requires a school board, on petition of a parent or guardian of certain pupils, to conduct a study (to be reviewed by the Department of Transportation) on the issue of whether a serious safety hazard due to vehicular traffic exists. The Act also designates that a rail crossing may also be a serious traffic safety hazard.

### Senate Bill 1070 (Public Act 90-63) effective July 3, 1997.

This Act amends Section 14-8.05 of the School Code. It eliminates a requirement that a school district furnish a copy of its local policies and procedures relating to the use of behavioral intervention to parents and guardians of students with individualized education plans at the beginning of each school year. It adds a provision to require the school board, at the annual IEP review, to explain the local policies to parents and guardians and to make available, upon request, a copy of the local procedures.

### House Bill 313 (Public Act 90-32) effective June 27, 1997.

This Act amends the Pensions Code and adds a new Section to the Finance Code. For the Chicago teachers' pension system, the Act clarifies that pensioners may return to temporary teaching in the city for up to 100 days per year without loss of pension benefits and makes this change retroactive to August 23, 1989. It restores full payment of the retirement annuity for certain reversionary annuities elected before January 1, 1984, where the beneficiary has predeceased the retiree.

For TRS members who resigned due to adoption of an infant or to care for a newly adopted infant prior to July 1, 1983, and returned to service as a member of TRS or SURS, the Act allows the purchase of service credit for the period of resignation or leave of absence by making the employee contribution that would have been made during the period of resignation, plus interest.

### House Bill 366 (Public Act 90-19) effective June 20, 1997.

This Act amends the Pension Code. It

- requires Illinois Pension Code Systems to comply with Section 415 of the U.S. Internal Revenue Code;
- provides that the Downstate and Chicago teacher pension systems require that investments be carried at cost or a value determined by generally accepted accounting principles; and
- removes the 50% investment limitation on equity investments for the Chicago teacher fund.

### House Bill 1388 (Public Act 90-107) effective January 1, 1998.

This Act adds two new sections to the Vehicles Code. It provides that a school bus driver is deemed to have given consent to a chemical test of blood, breath, or urine for the purpose of determining the alcohol content of his blood if arrested with probable cause. It provides that if the driver refuses testing or submits to a test that discloses an alcohol concentration of more than 0.00, the driver will lose school bus driving privileges for three years.

### Senate Bill 559 (Public Act 90-224) effective July 25, 1997.

This Act amends Section 24-12 of the School Code. The Act makes several changes regarding the teacher dismissal hearing procedures, including

- provides that a person must have a minimum of five years of experience directly related to labor and employment relations between educational employers and educational employees to be included on the State Board of Education's prospective hearing officer list;
- revises the procedure under which hearing officers may be selected in such proceedings by providing for a second list and for an alternative selection procedure;

- eliminates the $300 maximum per diem for a hearing officer and also eliminates a requirement that the hearing be public if either the teacher or school board request;
- with few exceptions, requires a hearing officer to make a decision within 30 days from the closure of the record; and
- changes to "not more than 24 months" the period for which a hearing officer who, without good cause, fails to make a decision within the applicable 30 day period may have his or her name stricken from the list of hearing officers.

Senate Bill 665 (Public Act 90-448) effective August 16, 1997.
The Act makes many changes to each of the state retirement systems. Regarding TRS, the Act

- makes many administrative changes for the TRS board;
- extends certain survivor benefits to children who are unmarried full-time students under age 22;
- removes the deadline by which certain labor organization employees may elect to participate in the System and allow participation by certain officers of national teacher organizations; and
- provides that benefits payable to an eligible child shall terminate when the eligible child marries, dies, or attains age 18, except that benefits payable to a dependent disabled child shall terminate only when the child dies or ceases to be disabled.

Regarding the Chicago Teacher Article of the Pension Code, the Act

- provides for participation by certain labor organization employees who do not receive special leaves of absence for that employment and allows those employees to repay refunds and establish credit for prior service in that capacity; and
- extends the deadline for early retirement without discount from June 30, 1995, to June 30, 2005, and applies retroactively to persons who have retired since June 30, 1995.

Regarding the Illinois Municipal Retirement Fund, the Act

- allows members to receive up to 24 months of credit for military service not preceded by employment upon payment of the corresponding employee and employer contributions;
- requires employer approval.

House Bill 741 (Public Act 90-280) effective July 31, 1997.
This Act amends Section 3-1 of the School Code. It provides that beginning with those regional superintendents elected in 2002, their term of office shall begin on July 1 following his/her election.

House Bill 108 (Public Act 90-549) effective December 8, 1997.
The Act provides the bonding authority for the school construction program contained in House Bill 452.

House Bill 398 (Public Act 90-550) effective December 8, 1997.
The Act provides a supplemental appropriation for the 1998 fiscal year. For public education, approximately $120 million was added to the current year budget to cover the shortfall in several State Board of Education line items. The hold harmless provision and the adequacy grant, both of which were prorated in August, will be fully funded with this new money. Also, $10 million was provided for an additional poverty grant for Fiscal Year 1998.

House Bill 452 (Public Act 90-548) effective December 4, 1997. (Most substantive provisions effective January 1, 1998).
This Act amends numerous sections of the School Code and adds a number of new sections. It also amends the Finance Code, the Pension Code, the Educational Labor Relations Act, and the Revenue Code.

This is the major school funding and school reform bill approved in 1997. The Act makes the following changes regarding school funding:

- increases the Cigarette Tax by 14 cents per pack;
- increases the Telecommunications Excise Tax from 5% to 7%;
- increases the penalty for failure to pay on tax deadbeats from 15% to 20% (applies to all taxes collected by the Department of Revenue);
- imposes a graduate tax on riverboat gambling;
- recalculates the Adequacy Grant in Fiscal Year 1998 so that each district has a per-pupil foundation level of $4,100;
- adds a new supplemental state aid grant in Fiscal Year 1998 that is created for low-income students amounting to $30.50 per low-income pupil;
- sets new foundation levels for public education funding: Fiscal Year 1999 is set at $4,225 per pupil, Fiscal Year 2000 is set at $4,325 per pupil, and Fiscal Year 2001 is set at $4,425 per pupil;
- creates a supplemental poverty grant based upon the concentration of these students;
- includes a continuing appropriation that requires the General Assembly to fully fund the formula and poverty grant. This provision sunsets June 30, 2001;
- creates an Education Funding Advisory Board to make recommendations for foundation levels and poverty grants for Fiscal Year 2002 and beyond;
- includes a hold harmless provision to guarantee that no district will receive less state aid than received in 1997-98. Hold harmless payments would come from a separate appropriation and if the appropriation is short, amounts will be prorated;
- eliminates grade-level weightings;
- creates a supplemental grant to address the "double whammy";
- creates a $1.4 billion school construction matching grant program based upon a grant index ranging from 35% - 75%. Includes a provision limiting eligibility to those with a student population over 200 students (elementary and high school districts) and 400 students (unit districts). Chicago is guaranteed 20% of the school construction grants awarded each year;
- creates a debt service grant to allow a portion of the construction dollars to be available in grant form for school districts that passed construction bond referenda between January 1, 1996, and January 1, 1998; and
- creates a Revolving Loan Program for schools to purchase technology hardware. Excess dollars generated by the Telecommunications Tax for the first three years (estimated at $30 million) will be earmarked for this program.

The Act makes the following changes regarding education reform:

- requires the state superintendent of schools to serve pursuant to a performance-based contract;
- creates a Professional Development Block Grant and an Early Childhood Block Grant;
- changes the existing K-6 Reading Improvement Program into the K-6 Reading Improvement Block Grant Program. Funds must be used to reduce class size in grade K-3, extend the school day or school year, create transitional grades between grades 1-2 and 2-3, establish reading academies, hire additional aides or reading specialists, or retrain teachers for better reading instruction. Grant funds will be disbursed on a two-year basis; in the third year districts must show improvement on IGAP reading scores in order to continue receiving funding;

- requires the State Board of Education to provide liability insurance for certified employees who request such coverage;
- requires school boards to adopt a policy by September 1, 1998, that ensures students meet local goals and objectives and can perform at the expected grade level prior to promotion (no "social promotion"). Students who do not qualify for promotion (as determined by the school board) must be provided remedial services;
- requires school districts with grades 9-12, beginning with the 1998-99 school year, to establish a "no pass-no play" policy under which a student must maintain a minimum grade-point average (as determined by the school board) to participate in athletic or extracurricular activities;
- clarifies that school officials have the authority to exclude suspended/expelled students from all school activities and to deny access to school grounds;
- clarifies that school districts may enter into contracts with third parties to provide non-instructional services;
- allows school districts to hire registered nurses to provide professional nursing services in schools;
- allows school boards to RIF non-certified employees with 30 days notice before their last day of work (instead of 60 days before the end of the school year);
- establishes a new multi-tiered teacher certification process effective July 1, 1998. Beginning teachers receive an Initial Teaching Certificate (after passing a test), a Standard Teaching Certificate is given to individuals who have taught four years with Initial Certification and passage of the Standard Certification Test (renewable every five years based on proof of continuing professional development), and a Master Teaching Certificate is given to teachers who attain National Board Certification (a seven-year renewable certificate);
- provides that after the expiration of any contracts in place, school districts may only hire superintendents, principals, and other administrators under either one-year contracts or multi-year contracts up to five years that are based on student performance. Performance-based contracts must be linked to student performance and academic improvement as determined by the local school board. No performance-based contract may be extended or rolled over prior to its scheduled expiration unless all the performance and improvement goals have been met;
- establishes a cap on growth of administrative expenses beginning with the 1998-99 school year. Beginning that year, administrative expenses may not exceed the lesser of 5% or the growth in instructional expenses. Provides exemption for districts with administrative costs per pupil in the 25th percentile and below;
- takes the General-State-Aid-difference incentive and the salary-subsidy incentive and extends them from three years to four years to provide more incentive for school district consolidation;
- creates an alternative teacher certification program;
- creates an alternative administrator certification program;
- changes the RIF notification period for teachers from 60 days to 45 days before the end of the school year;
- changes the probationary period prior to granting tenure from two years to four years;
- changes the remediation period for teachers to 90 days (instead of one year);
- extends the notification period on teacher strikes from five days to 10 days;

- changes the Charter School Law to allow the State Board of Education to overrule a local board of education on a charter school application and to allow the State Board to become the chartering entity.

House Bill 898 (Public Act 90-464) effective August 17, 1997.

This Act amends the Finance Code and the School Code. It creates the Temporary Relocation Expenses Revolving Grant Fund and authorizes the State Board of Education to distribute loan and grant moneys appropriated from that fund to school districts for temporary relocation expenses incurred due to disasters or due to condemnation by a regional superintendent. The Act also provides that the school district must pay back the amount loaned and requires the district to levy a temporary relocation expense tax. It limits the duration of the tax to seven years. Grants can be made by the State Board of Education if the district's relocation expenses exceed the amount the district is able to repay. The school district is required to hold a public hearing on, and adopt a plan to correct, building violations identified by the regional superintendent. Requires the regional superintendent to direct the State Board of Education to withhold from the district's General State Aid an amount sufficient to correct building violations the district has failed to correct by the time of the next annual inspection report.

Senate Bill 69 (Public Act 90-97) effective July 11, 1997.

This Act amends Section 10-22.25a and 17-2.2c of the School Code. It includes technology components (computer hardware, software, equipment, fixtures, renovations and improvements to district facilities that are necessary to accommodate computers) as personal property in the provisions relating to school district leases of personal property. Regarding the provisions relating to the tax school districts may levy for leasing educational facilities, the Act also includes computer technology as a purpose for which the tax may be levied.

Senate Bill 1072 (Public Act 90-547) effective December 1, 1997.

This Act amends Section 14-8.01 of the School Code. It limits the amount of total Individuals with Disabilities Education Act, Part B discretionary funds available to the State Board of Education and the manner in which those federal moneys may be used.

House Bill 53 (Public Act 90-143) effective July 23, 1997.

This Act adds Section 34-4.5 to the School Code and amends Section 3-33 of the Courts Code. The Act requires the Chicago Board of Education to establish an office of Chronic Truant Adjudication responsible for adjudication and imposition of sanctions for chronic truancy.

House Bill 754 (Public Act 90-463) effective August 17, 1997.

The Act provides a way for private schools to access the State Board of Education's statewide educational network for a fee. It also provides that the service shall be available as long as the access does not diminish the services available to public schools and students. It also changes the date by which reimbursement claims and payments will be made for certain orphanage, gifted, and transitional bilingual reimbursements.

House Bill 1005 (Public Act 90-566) effective January 2, 1998.

This legislation contains many provisions initiated by the State Board of Education, including

- changes references under the Community and Residential Services Authority from individuals who are behavior-disturbed or severely emotionally disturbed to individuals with a behavior disorder or a severe emotional disturbance. Changes the name of the authority and specifies four events that create vacancies on the Authority. Replaces references to placements of individuals with a reference to a plan of service for individuals;

- requires school districts to install sprinkler systems in additions to existing buildings only if the addition is 7,200 square foot or more and if an automatic fire-detection system is installed in the addition;
- expands the state assessment program to provide for assessment of pupils in grades 4, 7, 8, 10 and 11; revises the Prairie State Achievement Examination; makes students' IGAP scores a part of their temporary record and requires all state assessment tests under IGAP to be academically based;
- authorizes the ISBE to contract with private colleges and universities in the areas of technology, telecommunications and information access;
- authorizes the ISBE to include private colleges under the provision allowing the ISBE to charge a fee for port access to its educational network so long as that access does not diminish services available to public schools and students;
- provides for expedited hearings under the IDEA for pupils under the Act when it is determined that the student's behavior was not a manifestation of the student's disability or if there is a disagreement regarding the district's decision to move the student to an alternative educational setting for a weapon or drug violation;
- authorizes school districts to seek zoning changes, variations and special uses for school property;
- authorizes laboratory schools to seek grants administered by the ISBE that are available to other schools;
- authorizes regional superintendents to contract with community colleges for the operation of alternative schools serving more than one educational service region;
- prohibits school districts from knowingly employing persons who are found to be perpetrators of sexual or physical abuse and requires the ISBE or regional superintendent to initiate proceedings for the suspension or revocation of the teaching/administrative certificates of such perpetrators;
- changes hearing procedures applicable to pupil residency challenges for Chicago public schools;
- allows public schools to include the "Irish Famine" as a part of their curriculum and allows the ISBE to make instructional materials available;
- allows the dissemination of records to a governmental agency to investigate a student's school attendance amending the School Student Records Act;
- encourages school districts to employ at least one staff member certified in CPR and authorizes a school board to allocate appropriate portions of its institute or inservice days to conduct training programs for teachers and other school personnel about emergency first aid or CPR;
- requires the ISBE to make sources of information available that may provide alternatives to dissection;
- requires the Department of State Police to include information regarding an individual's conviction for inflicting physical or sexual abuse upon a minor in the criminal background check of school district personnel; and
- moves the Preschool At-Risk program from the Chicago school district's Educational Services Block Grant and places that program along with the REI Initiative program under the General Education Block Grant. It also establishes a formula for block grants in Chicago guaranteeing that it will not lose money when the block grants in House Bill 452 are established.

House Bill 1112 (Public Act 90-388) effective August 15, 1997.
This Act amends Section 2-3.117 of the School Code. It allows the State Board of Education to enter into intergovernmental agreements in the areas of technology, telecommunications and information access.

House Bill 1751 (Public Act 90-361) effective January 1, 1998.

The Act authorizes the State Board of Education and the Board of Higher Education to reimburse not-for-profit arts and humanities organizations and cultural institutions for the costs of providing educational programs to students.

Senate Bill 245 (Public Act 90-98) effective July 11, 1997.

This Act amends Section 18-12 of the School Code. For state aid formula purposes, the Act treats as a full day of attendance a day of partial attendance caused by adverse weather conditions that delay the start of the school day.

Senate Bill 428 (Public Act 90-269) effective January 1, 1998.

This legislation creates the Illinois Building Commission Act and an 11-member advisory commission. It allows the commission to suggest resolutions for conflicts between state agencies or a state agency and other entities concerning the agency's building requirements and provides that the commission review building requirement amendments and proposed legislation for conflicting requirements to current law. The Act provides that the commission suggest a long-term plan to improve the administration and enforcement of state building requirements. Allows the commission to appoint non-members to subcommittees. Makes other changes.

Senate Bill 709 (Public Act 90-498) effective January 1, 1998, and House Bill 1506 (Public Act 90-96) effective January 1, 1998.

Senate Bill 709 provides that the State Board of Education is to implement and administer a three-year Giant Steps pilot program and make grants to participating school districts for the study and evaluation of autism and related teacher training. Another provision creates the Service Evaluation Committee, which is to assume and exercise certain duties currently exercised by the State Board and the regional offices of education. The Committee will consist of one member from each of the following entities: Regional Superintendents Association, State Board of Education staff, Parent Teacher Association, Illinois Education Association, Illinois Federation of Teachers, Illinois Association of School Boards and the Illinois Association of School Administrators. The Act provides that the committee will design, develop and review and modify as necessary the form used by school districts to annually evaluate the quality of services furnished to the districts by the State Board of Education and the regional offices of education. House Bill 1506 contains identical language regarding the Service Evaluation Committee.

Senate Bill 876 (Public Act 90-62) effective July 3, 1997.

This Act amends Section 2-3.25g of the School Code. It requires the State Board of Education to submit by February 1 of each year a cumulative report summarizing all types of mandate waivers and modifications granted by the General Assembly and identifying the waiver topics and the percentage of school districts for which the waivers have been granted.

House Bill 379 (Public Act 90-494) effective January 1, 1998.

The Act provides that committing child abduction in a school, a playground, a school vehicle, or within 1,000 feet of a school or playground is an aggravating factor for sentencing.

House Bill 447 (Public Act 90-457) effective January 1, 1998.

The Act adds community service as a component of the program for AFDC recipients and requires the recipient's children aged 13 or older to perform at least 20 hours of community service per week with priority given for placements in public schools.

House Bill 1707 (Public Act 90-18) effective June 19, 1997.

The Act amends the Public Aid Code to provide that in determining whether a child receiving state assistance is not receiving proper and necessary support or care, the Department of Public Aid shall consider irregular school attendance by children of school age grades 1 through 8 (rather than in grades 1 through 6) as evidence of lack of proper and necessary support or care and shall provide services to those families as resources permit. The bill amends many other Acts and makes many changes regarding noneducation-related issues.

House Bill 2171 (Public Act 90-380) effective August 14, 1997.

This legislation amends the Juvenile Court Act to provide that a law enforcement officer shall return a truant minor to school. It also provides that there is a rebuttable presumption that a chronic truant is a truant minor in need of supervision and a rebuttable presumption that school attendance records of a minor are authentic. The Act further provides that a dispositional order issued against a truant minor in need of supervision may include a fine, public service, or suspension of a drivers license only if the court has made an express written finding that a truancy prevention program has been offered by the school, regional superintendent, or a community social services agency to the minor.

Senate Bill 950 (Public Act 90-369) effective January 1, 1998.

The Act establishes a graduated drivers license program for minors, including the following provisions:

- sets the requirements for the issuance of a drivers' license to an applicant who is a minor;
- sets the number of passengers allowed for a license holder under 18 years of age;
- requires seat belt usage for all passengers in a car driven by a minor;
- sets the requirements for instruction permits for minors and the issuance of distinct licenses to persons under 21 years of age;
- addresses the use of court supervision for drivers under 21 years of age; and
- makes many other changes.

House Bill 45 (Public Act 90-186) effective July 24, 1997.

The Act increases the maximum homestead improvement exemption from $30,000 to $45,000 beginning January 1, 1998.

House Bill 167 (Public Act 90-204) effective January 1, 1998.

The Act provides that a county may establish a date for submission of applications for the Senior Citizens Assessment Freeze Homestead Exemption other than July 1.

House Bill 381 (Public Act 90-531) effective January 1, 1998, and Senate Bill 35 (Public Act 90-523) effective November 18, 1997.

Both Acts provide that if a senior fails to file his/her assessment freeze application in a timely manner and the delay is due to a severe mental or physical condition (verified by a signed statement from his/her physician), the Chief County Assessment Officer may extend the filing deadline for a period of three months.

House Bill 468 (Public Act 90-357) effective January 1, 1998.

The Act allows a municipality whose territory includes a school district to exempt the school from the telecommunications tax the municipality has imposed.

House Bill 524 (Public Act 90-258) effective January 1, 1998.

The legislation makes many changes to the Illinois Enterprise Zone Act, the Property Tax Code and the Illinois Municipal Code regarding enterprise zones and tax increment financing districts. Most significantly the Act provides that if property is located in both an enterprise zone and TIF district then the enterprise zone abatement of taxes shall not be available on the property located in the TIF district except where businesses or individuals have received previous benefit.

House Bill 572 (Public Act 90-288) effective August 1, 1998.

The Act allows certificates of error (refunds) not previously allowed for the Senior Citizen Tax Freeze to be issued by the county treasurer. The Act also contains a provision effecting certificates of error for Lake Park Estates Homeowners Association.

House Bill 631 (Public Act 90-291) effective January 1, 1998.

The Act changes from April 1 to March 15 the date by which a county clerk having overlapping taxing districts may make written demands for actual or estimated valuations or rates from the clerk of the other overlapping county.

House Bill 1513 (Public Act 90-471) effective January 1, 1998.

The Act provides that the county board (other than Cook County) may by resolution provide that if a person has been granted a senior citizens' homestead exemption, the person need not reapply for the exemption.

Senate Bill 36 (Public Act 90-524) effective January 1, 1998.

The Act requires the Chief County Assessment Officer to annually publish a notice of availability of the Senior Citizen Assessment Freeze Homestead Exemption at least 60 days (but no more than 75) prior to the date on which the application must be submitted. The notice must appear in a newspaper of general circulation in the county.

Senate Bill 180 (Public Act 90-306) effective August 1, 1997.

The legislation amends the Local Government Debt Reform Act to provide that, except for an ordinance required to be published in connection with a backdoor referendum, any bond ordinance adopted by a governing body shall become effective immediately without publication or posting or any further act or requirement. Deletes similar language that applied only to refunding bonds.

Senate Bill 677 (Public Act 90-415) effective August 15, 1998.

The Act includes in the list of commercial or industrial property that may receive a tax abatement the property of any commercial or industrial firm currently located in the taxing district that expands a facility or its number of employees, providing that it shall not exceed an aggregate amount of $4,000,000. The Act includes other, more geographically specific, property tax abatement changes.

Senate Bill 715 (Public Act 90-320) effective August 1, 1997.

The Act provides that beginning January 1, 1998, and thereafter, the equalized assessed value of all property for the computation of the amount to be extended by taxing districts in Cook County shall be the sum of a) the EAV of such property for the year immediately preceding the levy year, b) the EAV of any property that qualifies as new property or annexed property in the current year, and c) the recovered tax-increment value for the current year, less the EAV of any property that qualifies as disconnected property during the current year.

Senate Bill 1075 (Public Act 90-368) effective January 1, 1998.

The Act deletes the current provisions concerning the application and approval process for the homestead exemption. It provides that (except in Cook County), based on the most recent assessment, the EAV of the homestead property for the current assessment year is greater than the EAV of the property for 1997, the owner of the property shall automatically receive the exemption in the amount of the increase over the 1997 assessment up to the maximum amount allowed.

# PART IV

# School District Reorganization

## Types of Reorganization

### Consolidations

Articles 11A and 11B of the School Code govern consolidation, which is the merging of the territory of two or more existing districts to form a new district. Article 11A governs the formation of unit districts from

1) unit districts only,
2) elementary and secondary districts only, and
3) all three types of districts.

Article 11B governs the formation of elementary districts from two or more entire elementary districts and the formation of secondary districts from two or more entire secondary districts.

The procedure for consolidation under Article 11A includes

1) the filing of a petition by voter signatures or by action of the affected school boards that must set forth the maximum tax rates the new district would be authorized to levy;
2) a public hearing by the regional superintendent followed by his recommendation to the state superintendent to approve or deny the petition;
3) a review by the state superintendent of the petition, the transcript of the hearings, and evidence submitted at the hearings;
4) a decision by the state superintendent to approve or deny the petition;
5) if approved by the state superintendent, a referendum in which a majority of voters in each affected district vote "yes"; and
6) the election of a new board of education (normally) at the next regularly scheduled election.

Any circuit court review of the state superintendent's decision must be initiated within 35 days of his decision.

The same process is required for consolidation proposals under Article 11B with the exception that Article 11A propositions pass if a majority of voters in each affected district vote in favor of the proposition. The passage of an Article 11B proposition requires only a majority of those voting overall.

### Annexations

Articles 7 and 7A of the School Code govern annexations. Article 7 annexations involve boundary changes ranging from detaching a portion of territory from one district and annexing it to another to the dissolving of a district and the annexing of its entire territory to one or more contiguous districts. This section deals only with annexations that result in the dissolution of a district. Article 7A authorizes the annexation of all the territory of a unit district into a contiguous high school district and the simultaneous dissolving of the unit district and the conversion of its territory into an elementary district.

The processes to be followed under these two articles are very different. The Article 7A procedures resemble those of the consolidation laws. The petition may be filed by the affected boards or by a specified number of voters. The petition filed with the regional superintendent must contain the maximum tax rates for both the annexing high school district and the proposed new elementary district. If the state superintendent approves the petition, the proposition goes to referendum, and a majority of voters in both the high school district and the unit district proposed to be converted must vote "yes"

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for the proposition to pass. If it passes, a new board is then elected for the newly created elementary district at the next regularly scheduled election.

Under Article 7 the state superintendent is not involved, a new district is not created, and the maximum tax rates of the annexing district are not changed. The annexation by one district of one or more of its neighboring districts involves the filing of a joint petition by the boards of the affected school districts with the regional board of school trustees and a public hearing by the regional board, followed by a decision by the regional board allowing the annexation. If approved, the annexation must go to referendum and pass in each affected district. In addition to petitioning the regional board by district board action, a majority of registered voters may submit petitions.

In 1989, Article 7 was amended to allow the voluntary dissolution of a small district. This amendment authorizes a district with a population of less than 5,000 to be dissolved upon petition by either the board of education or a majority of the voters to the regional board of school trustees. If the petition does not specify a district or districts to which the territory is to be annexed, the regional board "shall have no authority to deny dissolution." Its decision on annexation shall give "consideration to but not be bound by the wishes expressed by the residents of the various school districts that may be affected by such annexation."

### Unit District Conversions

Under Article 11D, the School District Conversion Law, a single new high school district and new elementary districts based upon the boundaries of dissolved unit districts may be formed from either 1) two or more contiguous unit districts or 2) one or more unit districts and one or more high school districts, all of which are contiguous. This reorganization option guarantees residents of existing unit districts continued control over elementary school programs, while at the same time creating high school districts with larger enrollments.

The procedures for Article 11D reorganizations closely resemble those for consolidation. Among the requirements are 1) the petition can be filed either by the affected boards or voter signature; 2) the petition must set the maximum tax rates for all the proposed districts; 3) the petition must provide for the division of liabilities and assets (including any state deficit difference payment) among the proposed new districts; and 4) the proposal can be passed only if a majority of the voters in each affected district votes in favor of the proposition.

### Additional Options: High School Deactivation and Cooperative High School Attendance Centers

Under Section 10-22.22b, a district can deactivate its high school facility and send its students in grades 9 through 12 to one or more other districts. Deactivation requires the approval of the board or boards of the receiving district or districts and of the majority of those voting upon the proposition in the sending district. Pursuant to a contractual agreement, the sending district pays to the receiving district for each student it sends an amount agreed upon by the two districts. Reactivation is allowed by vote of the people in the sending district.

Under Section 10-22.22c, two or more contiguous unit or high school districts, each with grades 9-12 enrollment of fewer than 600 students, may jointly operate one or more cooperative high school attendance centers if the voters in each district approve. Upon such approval the boards enter into an agreement for joint operation. A cooperative attendance center advisory board made up of members of the cooperating school boards is established. The advisory board prepares and recommends for the cooperative attendance center a budget that must be approved by each of the participating districts.

Further information on any of these options can be obtained by contacting the Center for Fiscal and Shared Services, Financial Outreach Services Division at 217/782-2491.

### The Progress of School District Reorganization since 1980

There has been substantial progress in reorganization since 1980. In Fiscal Year 1980, there were 1,011 school districts. By Fiscal Year 1999, there were 897 school districts -- a reduction of 114 districts (11.3 percent). Most of this decline in the number of districts occurred in the last third of the 1980s and thus far in the 1990s.

The following table indicates the number of reorganizations that became effective under each reorganization option during five periods from Fiscal Year 1984 through Fiscal Year 1999.

**TABLE 10**

**Summary of Reorganizations**
**Effective in Fiscal Years 1984 through 1999**

| By Type of Reorganization | 1984-86 | 1987-89 | 1990-92 | 1993-95 | 1996-99 | Total |
|---|---|---|---|---|---|---|
| Consolidation (Articles 11A and 11B) | 6 | 8 | 12 | 8 | 5 | 39 |
| Dissolution/Annexation (Article 7) | 2 | 15 | 11 | 18 | 6 | 52 |
| Conversion/Annexation (Article 7A) | N/A* | 2 | 2 | 0 | 0 | 4 |
| High School Deactivation (Sec. 10-22.22b) | N/A* | 2 | 1 | 2 | 0 | 5 |
| Cooperative High School Attendance Center (Sec 10-22.22c) | N/A* | 0 | 0 | 0 | 0 | 0 |
| Conversion/Dual District Formation (Article 11D) | N/A* | N/A* | 0 | 0 | 0 | 0 |
| **TOTALS** | **8** | **27** | **26** | **28** | **11** | **100** |
| **Net Change in Operating School Districts by Type of District** | | | | | | |
| Unit | -4 | -11 | -10 | -13 | -3 | -41 |
| Elementary | -4 | -9 | -13 | -14 | -10 | -50 |
| Secondary | -4 | -7 | -4 | -2 | -6 | -23** |
| **TOTALS** | **-12** | **-27** | **-27** | **-29** | **-19** | **-114** |
| **Average Annual Reduction in Number of School Districts** | -4 | -9 | -9 | -10 | -5 | -7.1 |

* Not available as a reorganization option.

** Figure includes the deactivation of programs in one high school district with the effect of making the district nonoperating but not dissolved.

## Supplementary State Aid under Articles 18 and 11D

A major motivation for mergers during the 1980s was the authorization by the General Assembly in 1983 of three supplementary state aid payments to newly consolidated districts.

This program of payments has been extended over the years to include other types of reorganizations. Except for high school deactivations and cooperative high school attendance centers, all the types of reorganization cited in this chapter qualify for these payments.

Although commonly called "incentive" payments, these three payments available to reorganized districts were designed to encourage mergers by eliminating or reducing certain fiscal disincentives that had inhibited mergers. Two payments are made annually for four years for

- Any loss in General State Aid resulting from a merger,
- The difference in teacher salaries among the merged districts.

A third program authorizes a one-time payment to cover deficits (as measured by negative fund balances) incurred by the districts prior to reorganization.

In contrast, a fourth "incentive" program authorized in 1989 and amended in 1994 simply provides additional funding. This program provides that "the sum of $4,000 for each certified employee who is employed . . . on a full-time basis for the regular term of any such school year" is paid for one, two or three years depending upon the district's rank in equalized assessed value per pupil (by quintile) and the district's rank in average daily attendance (by quintile). It also provides that if these are multiple reorganizations, only a single payment is made each year based on the most recent reorganization.

Payments received under any of these incentive programs can be used for any payments for which General State Aid can be used.

The following table shows that over $107 million has been paid through Fiscal Year 1999 under these laws. The General Assembly has appropriated sufficient money to pay all entitlements through Fiscal Year 1999.

**TABLE 11**

**Reorganization Incentive Payments by Program and Fiscal Year**

| Fiscal Year | State Aid Difference | Teacher Salary Difference | Deficit Difference | Certified Employee | Total |
|---|---|---|---|---|---|
| 1986 | $ 156,495 | $ 190,844 | $ 1,014,172 | ---- | $ 1,361,511 |
| 1987 | 232,768 | 210,844 | 416,152 | ---- | 859,764 |
| 1988 | 437,203 | 692,442 | 638,149 | ---- | 1,767,794 |
| 1989 | 412,155 | 982,796 | 6,749,757 | ---- | 8,144,708 |
| 1990 | 590,703 | 1,585,917 | 7,354,721 | ---- | 9,531,341 |

**Table 11 cont'd.**

| Fiscal Year | State Aid Difference | Teacher Salary Difference | Deficit Difference | Certified Employee | Total |
|---|---|---|---|---|---|
| 1991 | 454,537 | 1,539,987 | 2,013,486 | 1,992,000 | 6,000,010 |
| 1992 | 453,051 | 1,078,223 | 1,256,726 | 3,212,000 | 6,000,000 |
| 1993 | 957,642 | 1,474,700 | 2,347,679 | 3,619,979 | 8,400,000 |
| 1994 | 786,647 | 1,496,166 | 2,412,166 | 12,974,021 | 17,669,000 |
| 1995 | 947,090 | 2,054,164 | 2,116,243 | 9,668,000 | 14,785,497 |
| 1996 | 450,384 | 1,770,768 | 616,444 | 11,238,000 | 14,075,596 |
| 1997 | 433,932 | 924,131 | 580,852 | 7,178,000 | 9,116,915 |
| 1998 | 152,800 | 910,987 | 37,117 | 4,940,000 | 6,040,904 |
| 1999 | 176,414 | 586,356 | -0- | 3,208,000 | 3,970,770 |
| **Totals** | **$6,641,821** | **$15,498,325** | **$27,553,664** | **$58,030,000** | **$107,723,810** |

The General State Aid Difference Payment (Section 18-8(A)(5)(m) of the School Code). Qualifying for this payment are new school districts formed by combining property within two or more previously existing districts under Article 11A or 11B and school districts that annex all of the territory of one or more other school districts under Article 7 or 7A. For consolidations, if the General State Aid is less for the newly consolidated district or districts in the first year than the General State Aid would have been that same year on the basis of the previously existing districts, a supplementary payment equal to the difference is made for the first four years to the new district or districts. For annexations, if the state aid is less for the annexing district or districts for the first year in which the annexation is effective than in that same year on the basis of the annexing and annexed districts as constituted prior to the annexation, then a supplementary payment equal to the difference is made for the first four years to the annexing district or districts. Also eligible for this payment are the new elementary districts and the new high school district formed under Article 11D if these new districts qualify for less state aid than would have been payable to the previously existing districts.

Teacher Salary Difference Payment (Section 18-8.2 of the School Code). The state will make a supplementary payment for four years to new districts formed under Article 11A or 11B, equal to the difference between the sum of the salaries earned by each certified member of a new district or districts while employed in one of the previously existing districts and the sum of the salaries those certified members would have been paid if placed on the salary schedule of the previously existing district with the highest salary schedule. The salaries used in these calculations are those in effect in each of the previously existing districts on June 30 prior to the creation of the new district.

The state will make a supplementary payment for four years to districts that annex the territory of one or more school districts under Article 7 or 7A, equal to the difference between the sum of the salaries earned by each certified member of the district, as constituted after the annexation, and the sum of the salaries those certified members would have been paid if placed on the salary schedule of the annexing or annexed district with the highest salary schedule. The salaries used in these calculations are those in effect in the annexing and the annexed districts on June 30 prior to the effective date of the annexation.

The state will also make this supplementary payment to the newly formed high school district under Article 11D.

Deficit Difference Payment (Section 18-8.3 of the School Code). Eligible for this payment are new school districts formed by combining property within two or more previously existing districts under Article 11A or 11B and school districts that annex all of the territory of one or more entire other districts under Article 7 or 7A. The payment is made once and is equal to the difference between the larger and smaller deficits. If more than two districts are involved, the payment is equal to the sum of the differences between the smallest deficit and each of the other deficits.

Based on the method set forth in Section 18-8.3, deficits are calculated by totaling the audited fund balances in the educational fund, the working cash fund, the operations and maintenance fund and the transportation fund for each previously existing district or for each of the annexing and annexed districts, as the case may be. A district with a positive combined fund balance will be considered to have a deficit of zero. The alculation is based on the year ending June 30 prior to the referendum for the creation of the new district, or in the case of annexations under Article 7, the June 30 prior to the date that the annexation is approved by the regional board of school trustees.

Section 18-8.3 of the School Code has been amended by Public Act 88-555 (House Bill 2638) to change the way in which incentive payments to new or certain annexing districts are calculated to make up for deficits. If expenditures in the categories (objects) of "purchased services," "supplies and materials," and "capital outlay" in the specified year are greater than the average expenditure for these purposes for the three years prior to the specified year, the incentive payment shall be reduced by the difference between those in the specified year and the three-year average.

New elementary and high school districts formed under Article 11D are also eligible for the deficit difference payment and the payment is allocated among these newly formed districts, as provided for in the petition for the formation of such districts.

Supplementary State Aid for Certified Employees (Section 18-8.5 of the School Code). For each of the first one to three school years after reorganization a supplementary state aid reimbursement is paid to a reorganized district equal to the sum of $4,000 for each certified employee who is employed by the district on a full-time basis for the regular term of such school year:

| **Reorganized District's Rank by Type of District (unit, high school, elementary) in Equalized Assessed Value Per Pupil by Quintile** | **Reorganized District's Rank in Average Daily Attendance by Quintile** | | |
|---|---|---|---|
| | 1st Quintile | 2nd Quintile | 3rd, 4th, or 5th Quintile |
| 1st Quintile | 1 year | 1 year | 1 year |
| 2nd Quintile | 1 year | 2 years | 2 years |
| 3rd Quintile | 2 years | 3 years | 3 years |
| 4th Quintile | 2 years | 3 years | 3 years |
| 5th Quintile | 2 years | 3 years | 3 years |

The State Board of Education makes a one-time calculation of a reorganized district's quintile rank. The average daily attendance used in this calculation is the best three months' average daily attendance for the district's first year. The equalized assessed value per pupil is the district's real property equalized assessed value used in calculating the district's first-year General State Aid claim divided by the best three months' average daily attendance.

No annexing or resulting school district is entitled to supplementary state aid under this Section unless such district acquires at least 30% of the average daily attendance of the district from which the territory is being detached or divided. If a district results from multiple reorganizations that would otherwise qualify the district for multiple payments under this Section in any year, the district receives a single payment only for that year based solely on the most recent reorganization.

Reorganized districts qualifying for this payment are

1) new school districts formed under Articles 11A and 11B;
2) new elementary districts formed under Article 7A;
3) one or more annexing districts following the annexation of all the territory of one or more entire school districts, but only if an annexing district acquires at least 30 percent of the Average Daily Attendance of the district(s) being annexed;
4) unit districts formed under Article 11A resulting from the division of a unit district or districts into two or more parts, all of which are included in the two or more unit districts resulting upon the division; and
5) new districts formed under Article 11D.

# PART V

## School Finance Practices

### Budgeting, Levying, and Truth in Taxation

Section 17-1 of the School Code requires school districts to adopt an annual budget before or during the first quarter of each fiscal year. The district budget must specify the objects and purposes of expenditures and the revenues necessary to meet the anticipated expenses and liabilities of the district.

The budget and appropriations for school districts in cities with more than 500,000 inhabitants are governed by Sections 34-42 through 34-82 of the School Code.

Where educational services are provided under a joint agreement, the governing board, regional superintendent, or board of education responsible for joint agreement administration must adopt a budget by September 1 of the fiscal year. The adoption and content of the joint agreement budget follow requirements similar to those in Section 17-1 for school districts.

Vocational Education Regional Delivery Systems (Education for Employment Regional Delivery Systems) use the same budget forms and have the same adoption deadline requirements as do joint agreements.

All of the budgets referred to above must be entered (and adopted) on budget forms prepared and provided by the State Board of Education.

Budgets, at a minimum, must also contain a statement of the year's beginning and ending cash and estimated cash receipts and disbursements for the budget year. Specific requirements as to the budget form are enumerated in state statutes and in guidelines provided by the State Board of Education.

Section 18-50 of the Property Tax Code (35 ILCS 200/18-50) requires the governing authority of each taxing district to file with the county clerk within 30 days of adoption certified copies of its appropriation and budget ordinances or resolutions, as well as an estimate, certified by its chief fiscal officer, of revenues, by source, anticipated to be received by the taxing district in the following fiscal year. If the governing authority fails to file the required documents, the county clerk has the authority, after giving timely notice of the failure to the taxing district, to refuse to extend the tax levy until the documents are so filed. A school district's budget is considered to be its "appropriation ordinance."

In conjunction with budget adoption for the fiscal year, a district undertakes the process of certifying the amount of monies required from local taxes.

Each board of education makes an annual levy in terms of dollar amounts and certifies this levy to the respective county clerk(s). The county clerk is responsibile for making extensions of taxes levied within the constraints of the school district tax rate limitations (See Table 10) and the Property Tax Extension Limitation Law. Receipt and transfer of these monies to the school district treasurer are normally accomplished through the office of the county treasurer.

Each school district is required to certify annually and return to the respective county clerk(s), on or before the last Tuesday in December, its certificate of tax levy.

The Truth in Taxation Act (35 ILCS 200/18-55 et seq. created by Public Act 82-102 effective July 29, 1981) affects all units of local government, including school districts, community colleges, and home-rule units, which are authorized to levy property taxes. The basic requirements of this law are enumerated in the paragraphs which follow.

At least 20 days prior to the adoption of its aggregate levy, the local board of education shall estimate the dollar amount of the aggregate levy for the current year exclusive of election costs.

Any district proposing to increase its aggregate levy more than 105 percent of its prior year's extension, exclusive of election costs, must publish a notice, as prescribed by law, in a newspaper of general local circulation.

If the taxing district is located entirely in one county, the notice is published in an English-language newspaper of general circulation published in the taxing district, or if there is no such newspaper, in an English-language newspaper of general circulation published in the county and having circulation in the taxing district.

If the taxing district is located primarily in one county but extends into smaller portions of adjoining counties, the notice is published in a newspaper of general circulation published in the taxing district, or if there is no such newspaper, in a newspaper of general circulation published in each county in which any part of the district is located.

If the taxing district includes all or a large portion of two or more counties, the notice is published in a newspaper of general circulation published in each county in which any part of the district is located.

The notice must be published no more than 14 days nor less than seven days prior to the date of the public hearing. The notice must be no less than one-eighth page in size, and the smallest type that can be used is 12 point. The notice must be enclosed in a black border no less than 1/4 inch wide. The notice cannot be placed in that portion of the newspaper where legal notices and classified advertisements appear. The notice is published in the following form:

### Notice of Proposed Property Tax Increase
### for **(commonly known name of taxing district)**.

I. A public hearing to approve a proposed property tax levy increase for **(legal name of the taxing district)** for **(year)** will be held on **(date)** at **(time)** at **(location)**.

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact **(name, title, address and telephone number of an appropriate official)**.

II. The corporate and special purpose property taxes extended or abated for **(preceding year)** were **(dollar amount of the final aggregate levy as extended plus the amount abated by the taxing district prior to extension)**.

The proposed corporate and special purpose property taxes to be levied for **(current year)** are **(dollar amount of the proposed aggregate levy)** This represents a **(percentage)** increase over the previous year.

III. The property taxes extended for debt service and public building commission leases for **(preceding year)** were **(dollar amount)**.

The estimated property taxes to be levied for debt service and public building commission leases for **(current year)** are **(dollar amount)**. This represents a **(percentage increase or decrease)** over the previous year.

IV. The total property taxes extended or abated for **(preceding year)** were **(dollar amount)**.

The estimated total property taxes to be levied for **(current year)** are **(dollar amount)**. This represents a **(percentage increase or decrease)** over the previous year.

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Any notice which includes any information not specified and required by the Truth in Taxation Law is an invalid notice.

No levy of a taxing district can be invalidated for failure to comply with the provisions of the Act if the failure is attributable to the newspaper's failure to reproduce the information accurately or to publish the notice as directed by the taxing district.

All hearings must be open to the public. The corporate authority of the taxing district is to explain the reasons for the proposed increase and is required to permit persons desiring to be heard an opportunity to present testimony within reasonable time limits.

Definitions:

- "Aggregate levy" means the annual corporate levy of the taxing district and those special purpose levies which are made annually (other than debt service levies and levies made for the purpose of paying amounts due under public building commission leases).
- "Special purpose levies" include, but are not limited to, levies made on an annual basis for contributions to pension plans, unemployment and workers' compensation, or self-insurance.
- "Debt service levies" are those levies made to retire the principal or pay interest on bonds or to make payments due under public building commission leases.

School districts must know which tax levies are included in each category.

- "Corporate levy" includes the levies for educational purposes and operations and maintenance purposes
- "Special purpose levies" include all other levies except debt service levies.
- "Debt service levies" include levies for bond and interest purposes and for rent purposes (Rent: Section 35-23 of the School Code for payments to the Capital Development Board; Section 22-17 of the School Code and Section 18 of the Public Building Commission Act for payments to public building commissions).

If a public hearing must be held, it may not coincide with the hearing on the proposed budget of the taxing district. The hearing must be convened no more than 14 days nor less than seven days after the notice publication. If the final levy ordinance adopted is greater than 105 percent of the prior year's extension and is in excess of the amount shown in the published notice, a second published notice of the adoption action must be made in the form and manner provided in Section 18-85 of the Truth in Taxation Act within 15 days. No hearing needs to be held after this subsequent publication.

Publication of the notice of the adoption of such levy must be in the following form:

Notice of Adopted Property Tax Increase for **(commonly known name of taxing district)**.

I. The corporate and special purpose property taxes extended or abated for **(preceding year)** were **(dollar amount of the final aggregate levy as extended plus the amount abated prior to extension)**.

The adopted corporate and special purpose property taxes to be levied for **(current year)** are **(dollar amount of the proposed aggregate levy)**. This represents a **(percentage)** increase over the previous year.

II. The property taxes extended for debt service and public building commission leases for **(preceding year)** were **(dollar amount)**.

The estimated property taxes to be levied for debt service and public building commission leases for **(current year)** are **(dollar amount)**. This represents a **(percentage increase or decrease)** over the previous year.

III. The total property taxes extended or abated for **(preceding year)** were **(dollar amount)**.

The estimated total property taxes to be levied for **(current year)** are **(dollar amount)**. This represents a **(percentage increase or decrease)** over the previous year.

The levy filed with the county clerk may not request extension of an aggregate levy in an amount greater than 105 percent of the prior year's extension unless the levy ordinance meets the Truth in Taxation Act requirement. The school board must file a certification by the presiding officer of the board stating that the provisions of the Truth in Taxation Act have been met or are inapplicable.

New school districts formed by consolidating previously existing districts are not bound by the provisions of this Act the first time they levy taxes. The terms of the Act cannot apply unless a district made a levy for the preceding year. If a school district annexes one or more districts, the Act does apply because the annexing district made a tax levy the preceding year.

### Tax Rate Limitations

Tax rates for school districts are related to specific funds. School districts in Illinois are subject to various limitations in property tax rates for each fund. State law limits tax rates in most major funds to both a permissive level and a maximum level. The permissive level is the rate allowed without referendum approval of the voters of a district. The maximum rate is the limit allowed with referendum approval.

Table 12 shows school district tax-rate limitations in effect for the 1998-1999 school year.

**TABLE 12**

### TAX-RATE LIMITATIONS IN EFFECT FOR THE 1998-1999 SCHOOL YEAR
### School District Tax Rate Limitations[a]
### (Chicago School District Number 299 not included)

| | District Type | Percent without Referendum | Percent with Referendum |
|---|---|---|---|
| Educational Fund | Elementary | 0.92[b] | 3.50 |
| | Secondary | 0.92[b] | 3.50 |
| | Unit | 1.84[b] | 4.00[c] |
| Operations and Maintenance Fund | Elementary | 0.25[b] | 0.55 |
| | Secondary | 0.25[b] | 0.55 |
| | Unit | 0.50[b] | 0.75[c] |
| Capital Improvements Fund | All | N/A | 0.75[d] |
| Transportation Fund | Elementary | 0.12[e] | As Needed[f] |
| | Secondary | 0.12 | As Needed[f] |
| | Unit | 0.20 | As Needed[f] |
| Summer School | All | N/A | 0.15 |
| Bond and Interest Fund | All | N/A | As Needed |
| Rent Fund | All | N/A | As Needed |
| Municipal Retirement/ Social Security Fund[h] | All | As Needed[g] | N/A |
| Tort Immunity[i] | All | As Needed | N/A |
| Health Insurance | All | N/A | As Needed |
| Working Cash Fund | All | 0.05 | N/A |
| Fire Prevention, Safety, Energy Conservation and School Security | All | 0.05 | 0.10 |
| Special Education | Elementary | 0.02 | 0.40 |
| | Secondary | 0.02 | 0.40 |
| | Unit | 0.04 | 0.80 |
| Area Vocational Education | Secondary | N/A | 0.05 |
| | Unit | N/A | 0.05 |
| Tort Judgment Bonds | All | As Needed[g] | N/A |
| Leasing[j] | All | 0.05 | 0.10 |
| Temporary Relocation[k] | All Eligible | 0.05 | N/A |

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[a] These limitations apply to the 1998 tax levies for taxes extended and collected during calendar year 1999. N/A means not applicable.

[b] Subject to possible backdoor referendum (Section 17-2.2 of the School Code).

[c] Coterminous dual districts forming a unit district may have a maximum rate of 6.00 percent for educational, and 1.10 percent for operations and maintenance purposes (Sections 17-3 and 17-5 of the School Code).

[d] For a maximum period of six years.

[e] Certain elementary school districts that meet the requirements of PA 86-128 may levy at a rate not to exceed 0.200 percent, subject to the backdoor referendum provisions of Section 17-2.2 of the School Code.

Table 12 cont'd.

[f] Section 17-4 places no maximum on the tax rate, if voter approved.

[g] In making a determination, the school district must take into consideration district receipts of Corporate Personal Property Replacement funds. This requirement does not apply to levies for Medicare Only purposes.

[h] Separate levies are required for Municipal Retirement purposes and for Social Security/Medicare Only purposes.

[i] The Tort Immunity Act includes liabilities under the Unemployment Insurance Act and the Workers' Compensation and Occupational Diseases Acts.

[j] Section 17-2.2c of the School Code expands the use of this levy to include leasing of computer technology or to secure the payment of any lease, lease-purchase agreement, or installment purchase agreement for computer technology.

[k] Eligible school districts may levy to repay the state for temporary relocation expenses for a period not to exceed seven years (Section 17-2.2c of the School Code).

House Bill 532, Public Act 88-376 amended Section 17-3 of the School Code effective January 1, 1994. In addition to authorizing school districts to increase their educational purposes tax rate by front-door referendum for an unlimited period of time, this Act authorizes school districts to seek such a voter-approved increase for a limited period of not less than three nor more than ten years.

With the 1985 enactment of an amended Section 9-107 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-107), school districts may now include as allowable expenditures from the tort immunity levy the cost of risk-management (loss-prevention) programs. Risk management refers to planning and purchasing specialized prevention measures and insurance coverages for a wide variety of a school district's responsibilities. It includes identifying, measuring, and implementing processes for dealing with potential losses of property and injury to persons and their property.

The bill allows, under risk management, the hiring of consultants to review the physical plant and property of a school district to determine the existence of potential hazards that might result in workers' compensation claims or lawsuits against the school district. It also includes the hiring of consultants to review a school district's insurance coverage to make sure all necessary coverages are included in reasonable amounts. Risk management does not necessarily include payments of insurance premiums.

Property insurance means insurance protecting the district against loss or damage to its own property--buildings, building fixtures, personal property, and motor vehicles. Section 17-7 of the School Code states that "any sum expended for the payment of all premiums for insurance upon school buildings and school building fixtures (i.e., items of personal property permanently affixed to a building) shall be paid from the tax levied for operations and maintenance purposes." Expenditures for other types of property insurance are payable from either the educational fund or the transportation fund (Sections 17-7 and 17-8, the School Code).

Senate Bill 948 (Public Act 89-150), effective July 14, 1995, amended the Local Governmental and Governmental Employees Tort Immunity Act to explicitly permit a local entity that is individually self-insured to establish reserves for expected liabilities or losses for which the entity is authorized to purchase insurance under the Act. It establishes an actuarial standard for the creation of such reserves and more clearly enumerates the costs a public entity may pay in protecting itself against liability. Most significantly, it requires that interest earnings on funds raised pursuant to Section 9-107 of said Act may be used only for the enumerated insurance and liability protection purposes under the Act, or, if surplus, only for the abatement of property taxes levied by the local taxing entity.

Additional tax rate limitations were imposed by Public Act 87-17 (Senate Bill 1378). Public Act 89-1 (House Bill 200) extended the limitations to all non-home rule taxing districts in Cook County. This summary, with a few exceptions, is limited to the effects of this Act on school districts.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law, commonly referred to as "Tax Caps," limits the increase in property tax extensions in certain counties to 5% or the percent increase in the national Consumer Price Index (CPI), whichever is less. The Act first applied to the 1991 levy year for taxes payable in 1992 for taxing districts in the counties contiguous to Cook County; for taxing districts in Cook County, the Act first applied to the 1994 levy year for taxes payable in 1995. Senate Bill 1511, Public Act 89-150, effective July 11, 1996, indirectly extends the provisions of the Property Tax Extension Limitation Law (PTELL) to the remaining 96 counties. The county board of a county not subject to the PTELL is allowed (not mandated) to submit to the county's voters the question of whether all non-home-rule taxing districts in the county shall be subject to the PTELL. Such referenda may be held at any regularly scheduled election except a consolidated primary election. Eighteen counties received voter approval of the question on the ballot on November 5, 1996 (Boone, Champaign, Christian, Franklin, Jackson, Kankakee, Lee, Logan, Macoupin, Menard, Monroe, Morgan, Randolph, Sangamon, Schuyler, Union, Williamson, and Winnebago). Two counties had the question approved on the April 1, 1997, ballot (McDonough and Stephenson); two counties had the question approved on the November 4, 1997, ballot (JoDaviess and Kendall). One county (Tazewell) had the question approved on the March 17, 1998, ballot. Increases above 5% or the percent increase in the CPI must be approved by the voters in a referendum.

The Consumer Price Index used in the Law is the Consumer Price Index for All Urban Consumers (CPI-U) for all items published by the United States Department of Labor. If the percentage increase during the 12-month calendar year preceding the levy year is more than 5%, then the limitation is 5%; otherwise, it is the rate of increase of the CPI-U. For the 1997 levy year, the limitation was 3.3%; for the 1998 levy year, the limitation is 1.7%.

This Law imposed a mandatory property tax limitation on taxing districts located entirely in Cook County and counties contiguous to Cook County: DuPage, Kane, Lake, McHenry and Will counties (collar counties). Levies for tort immunity, fire prevention and safety, and pension purposes are among those subject to the limitations.

When the county clerk compares the calculated aggregate tax rate (based on the amounts levied by the school district) to the limiting rate and determines that the calculated aggregate rate is greater than the limiting rate, the county clerk will reduce each rate by the same percentage unless the school district has specified that a particular rate (or rates) is (are) to be extended at their maximum levels. In that case, all other rates will be further reduced so that the aggregate extended rate does not exceed the limiting rate.

Taxing districts that overlap into other counties are included in the mandatory provisions of this Law only if a majority of the equalized assessed valuation (EAV) for the 1990 levy year was in the collar counties. If a majority of the 1990 EAV was in counties bordering on the west or south of the collar counties, the limitation provisions do not apply to the district unless the provisions of Public Act 89-150 become applicable.

If taxing districts have all of their EAV in one county and the voters approve the proposition, the PTELL becomes applicable to these districts January 1 of the year following the referendum.

If taxing districts have their EAV in two or more counties a referendum must be held in each county in which the EAV of the district is located. If a majority of the EAV of the taxing district is located in one or more counties that have had a successful referendum, the PTELL becomes applicable to that district January 1 of the year following the last year a referendum was held in a county in which the taxing district has any EAV.

For example, in counties that had successful referenda on November 5, 1996, the provisions of the PTELL became effective on January 1,

1997. The first taxes subject to the limitation will be levied in 1997. Taxes levied in 1996 (extended, collected and distributed in 1997) will not be affected by the PTELL, but the 1996 extensions will provide the base for calculating the 1997 limitations. In counties that had successful referenda on April 1 or November 4, 1997, the provisions of the PTELL will become effective on January 1, 1998; in counties that had successful referenda on March 17, 1998 (or do have successful referenda on November 3, 1998), the provisions of the PTELL will become effective on January 1, 1999.

Home-rule taxing districts are not affected by the Law.

The following types of debt obligations are excluded from the limitation if separate levies are made for each of them:

1) General obligation bonds approved by referendum;

2) General obligation bonds issued prior to the effective date of the Law (October 1, 1991, in the collar counties; March 1, 1995, in Cook County; the date of the referendum that made the district subject to the Law in all other counties);

3) Bonds issued to refund or continue to refund those bonds issued prior to October 1, 1991, in the collar counties or March 1, 1995, in Cook County, or prior to the date of the referendum that made the district subject to the Law in all other counties; or approved by referendum;

4) Revenue bonds issued prior to October 1, 1991, in the collar counties or March 1, 1995, in Cook County or prior to the date of the referendum in all other counties that are backed by a property tax levy or the full faith and credit of the local unit of government (such an exemption is allowed only after all other sources are deemed insufficient to make the payment);

5) Building Commission lease bonds issued prior to the effective dates of the Law;

6) Installment contracts entered into before the effective dates of the Law;

7) Bonds issued under the Metropolitan Water Reclamation District Act to finance construction projects initiated prior to the effective dates of the Law.

8) Limited bonds, to the extent the principal and interest payments do not exceed the district's debt service extension base less certain offsetting amounts.

Items 6) and 7) above do not apply to school districts.

Bonds issued on or after October 1, 1991, in the collar counties or March 1, 1995, in Cook County, or the date of the referendum in all other counties are not excluded from the limitation provisions unless they are approved by voter referendum or can be issued as "limited bonds."

1) If no referendum is required by the statute authorizing the bonds or other obligations, or if they are subject to backdoor referendum, the governing body of the taxing district may pass an ordinance or resolution to put the question to the voters under Section 18-190 of the Property Tax Extension Limitation Law. If the question is approved by the voters, the bonds may be issued and are excluded from the limitation. If the question is turned down by the voters, the bonds may not be issued.

2) If a backdoor referendum has been called, the election held, and the issue approved by the voters, the bonds are excluded from the limitation.

3) Non-referendum bonds (Working Cash, Funding, Fire Prevention and Safety, Tort Judgment, and Insurance Reserve Bonds) may be issued as "limited bonds." The limited amount of the tax that can be extended to make principal and interest payments on such bonds is determined by each district's debt service extension base (DSEB). For school districts in Cook and the collar counties, the DSEB is the 1994 levy-year extension (extended in

1995) to make principal and interest payments on non-referendum bonds. For all other school districts, the DSEB is the amount of taxes for the year in which the referendum is held which make the district subject to the law (extended, collected and distributed in the following year.

A taxing district, subject to the limitation provisions, may submit a question to the voters requesting a greater percentage increase in the extension than the lesser of 5% or the CPI-U increase. The referendum must be held at a regularly scheduled election in accordance with the election code and before the levy date. If approved by a majority of voters voting on the issue, the higher extension limitation shall be in effect for one levy year only.

Referenda held pursuant to this Act are exempt from the requirement that taxing districts may have only three referenda on a ballot.

## Adjustments to the Limitation

1) Taxing districts will get an increase over the limitation proportional to the amount of new property added to the tax base as well as any annexations to the tax base.

2) If voters have approved a rate increase that is first effective in the levy year, the extension may be increased proportionally for that levy year and for the next four levy years.

3) If voters had approved a rate increase for a fund after December 31, 1988, and the taxing district did not increase its rate to the new maximum rate, a proportional increase is allowed for each of the four years after the levy year the increase is first effective.

4) If a taxing district had a decreased aggregate extension the previous year from the year before that, the limitation amount is based on the highest aggregate extension in any of the last three preceding levy years. For example, in extending taxes for 1998, assume the following extensions for the three prior years:

| | |
|---|---|
| 1997 | $600,000 |
| 1996 | $750,000 |
| 1995 | $720,000 |

In this example the extension was reduced in 1997, the year prior to the levy year from the year before, 1996. Thus, the district's base becomes the highest of the extensions for the three previous years: 1995, 1996, and 1997. The base is $750,000 for this taxing district.

## Prior-Year Equalized Assessed Value

The prior-year equalized assessed value provision of the Law, which applies only to Cook County, began with the 1992 levy year for tax bills payable in 1993. The provision continues for all subsequent years. This provision was not deleted by Public Act 89-1.

All taxing districts in Cook County are affected. All taxing districts overlapping into Cook County are affected, but only for the Cook County portion of the district.

The county clerk will first use the prior-year equalized assessed value of the Cook County portion of the property to compute the taxing district's extension amount. This means the most that can be raised for a fund is the maximum tax rate for that fund times the prior-year EAV for all property currently in the district. For overlapping taxing districts, the prior-year EAV will be used for the Cook County portion of the district and the current-year EAV for the rest of the district.

After computing the maximum extension using prior-year equalized assessed value, the county clerk must calculate the maximum extension against the current year EAV and then by the formula, which includes the increase of 5% or the percentage increase in the CPI-U, if less. The calculation that results in a lower extension is used. Senate Bill 715 (Public Act 90-320), effective August 1, 1997, provides that beginning January 1, 1998, and thereafter, the equalized assessed value of all property for the computation of the amount to be extended by taxing districts in Cook County shall be the sum of a) the EAV of such property for the year immediately preceding the levy year; b) the EAV of any property that qualifies as new property or annexed property in the current year; and c) the recovered tax increment value for the current year, less the EAV of any property that qualifies as disconnected property during the current year.

The taxes will be spread against the current-year EAV for the entire district. By spreading the tax burden against the current-year EAV, new property bears its fair share of the tax burden. Property deleted from the tax rolls will not get a tax bill, and corrections to EAV by the Board of Appeals or the County Assessor will be made before the tax burden is spread.

### Interfund Transfers/Working Cash Fund

Under the fund accounting required of school districts, the revenues and assets of a given fund are restricted to the purposes of that fund. Under specific circumstances and conditions, monies may be transferred from one fund to another. This section outlines monies permissible for interfund transfers. Transfers require the specific authorization of the local board of education.

Permanent Transfers among Operating Funds. Senate Bill 22, Public Act 89-3 amended Section 17-2A of the School Code, effective February 27, 1995. The school board of any district having a population of less than 500,000 inhabitants may, by proper resolution following a public hearing (that is preceded by at least one published notice occurring at least seven days prior to the hearing in a newspaper of general circulation within the school district and setting forth the time, date, place, and subject matter of the hearing), transfer from (1) the Educational Fund to the Operations and Maintenance Fund or the Transportation Fund; (2) the Operations and Maintenance Fund to the Educational Fund or the Transportation Fund; or (3) the Transportation Fund to the Educational Fund or the Operations and Maintenance Fund of said district an amount of money not to exceed 20% of the tax actually received in the fund for the year previous to the transfer, provided such transfer is made solely for the purpose of meeting one-time, nonrecurring expenses.

Transfer of Interest Earned. Section 10-22.44 of the School Code delineates the general conditions that apply to the interest earned in a fund. Unless prohibited, school districts are permitted to transfer interest earned on the monies in any fund of the district to the respective fund of the district that is most in need of such interest income, as determined by the school board. The transfer is permissible unless the interest earned has been previously earmarked or restricted by the board for a designated purpose.

The law prohibits the transfer of interest earned on monies in the funds for Illinois Municipal Retirement; Tort Immunity; Fire Prevention, Safety, Energy Conservation and School Security; and Capital Improvements purposes. Special provisions apply to the transfer of interest from the Working Cash Fund. (See Working Cash Fund Interest.)

Senate Bill 1652, Public Act 87-984 amended Section 10-22.44, effective January 1, 1993. It added the following language to Section 10-22.44:

> Interest earned on these exempted funds shall be used only for the purposes authorized for the respective exempted funds from which the interest earnings were derived.

Interest earnings on federal funds are restricted to the purpose(s) for which the funds are received.

Excess Bond and Interest Fund Monies. Until 1986, the transfer of excess Bond and Interest Fund monies was governed by Section 19-4 of the School Code. Previously, excess funds on hand in the bond and interest account (fund) were required to be transferred to the district fund bearing the nearest relation to the purpose for which the bonds were issued (under the authority in Sections 19-2 through 19-6 of the School Code).

Legislation enacted in 1986 eliminated the authorization for transferring monies left in a bond and interest account (fund) when all bonds have been redeemed and all interest payments made. If monies remain in a bond and interest account (fund) and these monies are attributable to earnings on investments, the provisions of Section 10-22.44 of the School Code are applicable. Under these provisions these excess monies may be transferred to the district fund that is most in need of such interest income, as determined by the school board.

If monies remain in a bond and interest account (fund) and these monies are attributable to excess tax proceeds (taxes levied to pay interest on and redeem principal of bonds), there is no authorization to use those monies for any purpose. A district might consider transferring such excess tax proceeds to another bond and interest account (fund) and abating an equal amount of the taxes that will otherwise be levied for that purpose.

Bond Premium Treatment. Pursuant to Section 10-22.14 of the School Code, school districts shall exercise an option with regard to bond premiums. When proceeds from the sale of bonds include a premium, the board shall determine by resolution whether the premium realized in the sale of bonds is to be used for the purposes for which the bonds were issued, or instead, for payment of the principal and interest on those bonds.

Treatment of Interest Earned on the Investment of Bond Proceeds. When proceeds from the sale of bonds issued for fire prevention, safety, energy conservation, handicapped accessibility, school security and specified repair purposes, as specified in Section 17-2.11 of the School Code, are invested as authorized by law, the board shall determine by resolution whether the interest on the investment of such bond proceeds is to be used for the purposes for which the bonds were issued or for payment of the principal indebtedness and interest on those bonds. When any such transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s) within 30 days of the amount of the transfer and direct the county clerks(s) to abate the taxes to be extended to make principal and interest payments on those bonds by an amount equal to the transfer (Section 10-22.14 of the School Code as amended by Public Act 87-984, effective January 1, 1993). When bonds are issued for any other purpose and the proceeds are invested as authorized by law, the interest earned on such investments may be transferred in accordance with the provisions of Section 10-22.44 of the School Code.

Treatment of Excess Bond Proceeds. When bonds other than bonds issued for fire prevention, safety, energy conservation, handicapped accessibility, school security and specified repair purposes are issued by any school district and the purposes for which the bonds have been issued are accomplished and paid for in full, excess proceeds of the bonds may be transferred by board resolution to the Operations and Maintenance Fund.

When bonds are issued by any school district for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes, as specified in Section 17-2.11, and the purposes for which the bonds have been issued are accomplished and paid for in full, the board, by resolution, shall use any excess funds for

- other authorized fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes as specified in Section 17-2.11 or
- payment of principal and interest on those bonds through transfer to the Bond and Interest Fund.

If any transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s) within 30 days of the amount of that transfer and direct the county clerk(s) to abate the taxes to be extended for the purposes of principal and interest payments on the respective bonds issued under Section 17-2.11 by an amount equal to such transfer (Section 10-22.14 of the School Code as amended by Public Act 87-984, effective January 1, 1993).

Section 34-29.3 of the School Code deals with excess funds on bonds issued by Chicago School District 299 under Sections 34-22 through 34-22.7. When the purposes for which the bonds have been issued are accomplished and paid for in full, excess funds may be transferred by board resolution to the Working Cash Fund.

Transfer of Excess Fire Prevention and Safety Tax Proceeds. When taxes are levied by any school district for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes as specified in Section 17-2.11 of the School Code and the purposes for which the taxes have been levied are accomplished and paid in full and there remain funds on hand in the Fire Prevention and Safety Fund from the proceeds of the taxes levied, including interest earnings thereon, the school board by resolution shall use such excess and other board-restricted funds excluding bond proceeds and earnings from such proceeds (1) for other authorized fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes or (2) for transfer to the Operations and Maintenance Fund for the purpose of abating an equal amount of operations and maintenance purposes taxes. If any transfer is made to the Operations and Maintenance Fund, the secretary of the school board shall within 30 days notify the county clerk to abate the taxes to be extended for the purposes of operations and maintenance authorized under Section 17-2 of this Act by an amount equal to such transfer.

Working Cash Fund Interest. Monies earned as interest from investment of the Working Cash Fund may be transferred from the Working Cash Fund upon the authority of the school board. A separate resolution must be enacted directing the school treasurer to make such transfer to any other fund of the district. Specific provisions are contained in Section 20-5 of the School Code.

Working Cash Fund Balance to Educational Fund. The board of education of any school district may, by resolution, abolish its Working Cash Fund and transfer any balance to the Educational Fund at the end of the fiscal year. Outstanding interfund loans from the Working Cash Fund must be paid to the Educational Fund at the end of the fiscal year. Uncollected Working Cash Fund taxes, when collected, must be paid into the Educational Fund (Section 20-8).

"Abatement" of Working Cash Fund. Section 20-8 of the School Code permits a district to abolish its Working Cash Fund and to transfer the balance of the fund to the educational fund. Although Section 20-8 does not mention abatement of the fund, Section 20-9 refers to re-creating a working cash fund which has been "abolished or abated." Accordingly, "implicit in the provisions of Section 20-9...is the authority to abate a working cash fund." (*In re Application of Walgenbach* (1984), 104 Ill.2d 121, 125.) Since the balance of the fund when abolished may be transferred to the educational fund, it follows that any balance transferred from the fund when abated may be deposited in the educational fund as well.

Other Working Cash Fund Limitations. Section 20-6 of the School Code contains strong penalties for any member of a school board or any other person holding any office, trust, or employment under a school district who is found guilty of willful violation of any of the provisions of Article 20 (the Working Cash Fund).

Further limitations to the Working Cash Fund are included in the Tax Anticipation Note Act (50 ILCS 420/0.01). These limitations affect Working Cash Fund transfers when tax anticipation notes have been issued. The following is an excerpt from Section 5 of the Act:

> Whenever the unit of government has established a Working Cash Fund, as provided by law, the tax rate shall not be reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It shall be the duty of the clerk or secretary of the unit of government, annually, not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund to be reimbursed from the specific tax levy. No reimbursement shall be made to the Working Cash Fund until there has

been accumulated from the tax levy to pay the notes an amount sufficient to pay the principal of, and interest on, the notes to maturity. At such time as there are no notes outstanding, all proceeds of such levy shall be applied for the specific purpose or purposes for which the notes were issued.

### Borrowing Money/Debt Limitations

Many school districts borrow money to meet cash flow needs or to finance capital projects. School board members and administrators should understand the various means under which borrowing may occur so that they adopt the best plan to meet the district's specific needs. The terms and conditions of borrowing money depend upon the credit rating of the district, i.e., a designation used by analysts or rating services to represent relative quality of debt issues. Numerous conditions within the control of the school board affect a district's credit rating. Good fiscal administration, full disclosure financial reporting, effective long-term financial planning, efficiency of operation, and sound board policies help establish a favorable credit rating. School districts should first determine if short-term cash shortages can be met by Working Cash Fund loans or other interfund loans before incurring short-term debt through external sources.

Maximum Bonded Indebtedness. Limitations on school-district-bonded indebtedness are determined in relationship to a district's equalized assessed valuation (EAV) of real property. Section 19-1 of the School Code contains the general debt limits for elementary and high school districts (6.9 percent of EAV) and unit districts (13.8 percent of EAV).

Section 19-1 also provides a maximum of 15.0 percent of EAV-bonded indebtedness for certain growth districts when the regional superintendent and the state superintendent of education concur with the school board's enrollment projections and two-thirds of the electors approve the bond issue. At times this section is amended to provide increased bonding power for districts which meet specific conditions.

- Bonds subject to the debt-limitation provisions:
  - -- Building Bonds*
  - -- Fire Prevention and Safety Bonds**
  - -- Refunding Bonds**
- Bonds not subject to the debt-limitation provisions but included in total bonded indebtedness***:
  - -- Working Cash Fund Bonds#
  - -- Funding Bonds#
- Bonds not subject to the debt-limitation provisions and not included in total bonded indebtedness:
  - -- Tort Judgment Bonds**
  - -- Insurance Reserve Bonds**

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* Voter approval required.

** May be issued without referendum, (special provisions apply for those districts in the counties affected by the Property Tax Extension Limitation Law).

*** May limit the issuance of bonds subject to the debt-limitation provisions.

# Subject to backdoor referendum.

In addition to bonded debt, these statutory debt limitations apply to Teachers' Orders, Employees' Orders and the principal portion of a three- or five-year lease-purchase agreement or a long-term lease agreement for a building or building addition.

Maximum Interest Rates. The maximum interest rate payable on all short-term debt instruments and all bonds (long-term debt instruments) issued is the greater of nine percent per annum or 125 percent of a market rate indicator. The current indicator is the "General Obligation Bonds Index" of average municipal bond yields as published in the most recent edition of *The Bond Buyer*. Measurement of this bond index is done at the time the contract is made for sale of the bonds, as authorized by Illinois Compiled Statutes, 30 ILCS 305/2.

### Short-Term Borrowing

Short-Term Debt Limitations. Section 18-18 of the School Code limits school districts' issuance of state aid anticipation certificates, general obligation notes, and tax anticipation warrants so that the total amount of state aid certificates, notes, and warrants outstanding for any fiscal year may not exceed 85 percent of the taxes levied by the district for that year.

One exception to this limitation exists. Any district may now borrow up to 100% of the amount of General State Aid to be received in July even if it has borrowed to its maximum level as described above.

A district is also limited in the amount which can be accumulated in the Working Cash Fund. Whether through the sale of working cash bonds or through annual levy, the maximum amount that can be accumulated in the Working Cash Fund is 85 percent of the taxes permitted to be levied for educational purposes for the then current year plus 85 percent of the district's last known Corporate Personal Property Replacement Tax entitlement (Section 20-2).

Additional exceptions exist for any school district which has been certified by the State Board of Education as being "financially distressed." Please see Part VI.

Interfund Loans. The School Code authorizes school districts to make interfund loans as follows:

Operations and Maintenance Fund to the Educational Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Educational Fund to the Operations and Maintenance Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Transportation Fund to the Educational Fund or the Operations and Maintenance Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Working Cash Fund to any fund of the district for which taxes are levied (Section 20-4).

Monies that are temporarily idle and/or surplus in specific funds may be loaned to cover anticipated interim needs in certain other funds, as cited above. Such monies, excluding Working Cash Fund loans, must be repaid to the proper fund within three years. Working Cash Fund loans must be repaid upon the collection of anticipated taxes. Exceptions to the payment of Working Cash Fund loans exist when tax anticipation notes are outstanding.

Even though interfund loans can be made **to** the Fire Prevention and Safety Fund, no interfund loans are permitted to be made **from** the Fire Prevention and Safety Fund.

Interfund loans require appropriate authorization by the board of education of the district.

State Aid Anticipation Certificates. Section 18-18 of the School Code allows school districts to issue a type of short-term debt known as State Aid Anticipation Certificates. Using certificates, money is loaned to a district against anticipated General State Aid payments. The certificates have the following general characteristics:

- Certificates may not be outstanding for more than 13 months.
- Certificates are payable solely from General State Aid payments.
- Certificates may be issued without referenda.

- The amount of certificates to be issued may not exceed 75 percent of the state aid allocated to the school district for that year as certified by the state superintendent after subtracting the amount of funds available for transfer from the district's Working Cash Fund.

- The amount of certificates plus the amount of funds transferred from or available for transfer from the district's working Cash Fund, plus the amount of the district's general obligation notes and tax anticipation warrants outstanding for the year may not exceed 85 percent of taxes levied by the district for that year.

- The board, prior to issuing the certificates, must adopt a resolution designating the purposes for which the proceeds of the certificates are to be expended, the amount to be issued, maturity dates, rate of interest, and other optional provisions.

- Upon the issuance of said certificates, the board shall give written notification to the appropriate regional superintendent and the state superintendent of education of the issuance of the certificates and the terms thereof, including, but not limited to, any assignment of state aid payments made pursuant to this Section, the name and address of each assignee, the amounts and dates of the payments to be made by the state superintendent of education directly to each assignee under Section 18-11 [105 ILCS 5/18-11], the amount of the certificates held by each assignee and the maturity date of the certificates.

- Public Act 87-1215 permits districts to borrow up to 100% of their July state aid payments; these loans must be repaid by August 1 and may be in excess of the limitations stated above.

Personal Property Replacement Tax Notes. Personal property replacement tax notes may be issued in an amount not to exceed 75 percent of the entitlement of replacement taxes anticipated for the year. The entitlement amount must be certified by the director of the Illinois Department of Revenue. If the entitlement has not yet been certified, notes may be issued based upon 90 percent of the last known entitlement as certified by the director of the Illinois Department of Revenue (50 ILCS 420/4.1).

Tax Anticipation Notes. School districts are authorized to issue *general obligation* notes in an amount (including principal, interest, and costs of note issuance) not to exceed 85 percent of the taxes levied less the amount available for loan in or loaned from the Working Cash Fund. Anticipation notes may be issued in anticipation of all taxes, including those for which tax anticipation warrants may not be issued. No notes shall be issued during any fiscal year in which tax anticipation warrants are outstanding against the tax levied for the fiscal year.

Anticipation notes bear interest at a rate not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields. Notes must mature within two years. A board of education is required to adopt a resolution fixing the amount of notes, the date and the maturity date, the rate of interest (unless the notes are to be sold by public bid), the place of payment, and the denomination (in equal multiples of $1,000). The board resolution must also provide for the levy and collection of a direct annual tax upon all taxable property in the district sufficient to pay the principal and interest on the notes to maturity (30 ILCS 305/2).

When tax anticipation notes are outstanding, it is the duty of the county clerk to reduce a district's specific tax rate by the percentage necessary to produce an amount to pay the principal and interest on the outstanding notes. When the district has established a Working Cash Fund, the tax rate is not reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It is the duty of the clerk or secretary of the district annually, and not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund that is to be reimbursed from the specific tax levy. No reimbursement may be made to the Working Cash Fund until an amount sufficient to pay the principal of, and interest on, the notes to maturity has been accumulated from the tax levy. The notes are executed in the name of the district by manual or facsimile signatures of district officials designated by the resolution. At least one signature on each note must be a manual signature. The notes may be issued in excess of any statutory debt limitation and do not operate to reduce the authority to incur debt otherwise authorized for the district. The issuance of notes does not require a referendum (50 ILCS 420/5).

Tax Anticipation Warrants. When there is no money in the treasury to pay the necessary expenses of the district, a school board may issue warrants or may provide a fund by issuing and disposing of warrants drawn against, and in anticipation of, any taxes levied for payment of necessary district expenses for transportation, educational, fire prevention and safety, and operations and maintenance purposes, or for payments to the Illinois Municipal Retirement System (but not the Social Security System), or for payments of maturing principal and interest of bonds. Warrants may be issued to a legal maximum of 85 percent of the total amount of the tax levied. The warrants show upon their face that they are payable in the numerical order of their issuance solely from such taxes when collected. Taxes must be set aside and held for warrant payment. Every warrant bears interest payable out of the taxes against which it is drawn at a rate not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields, per annum from the date of issuance until paid, or until notice is given that the money for the warrant is available (Section 17-16 of the School Code).

General Obligation Tax Anticipation Warrants. General Obligation Tax Anticipation Warrants are authorized by the Debt Reform Act.

The warrants bear a specified due date and are secured by a levy of *ad valorem* taxes upon all taxable property in the district without limit as to rate or amount. No additional money should accrue to the district as a result of the tax levied to pay general obligation warrants because when the warrants are issued, the county clerk is instructed to reduce the specific tax rate by the percentage necessary to produce an amount to pay the principal of and interest on the warrants. A district may not issue general obligation tax anticipation warrants in excess of the 85 percent formula described above.

Under the Debt Reform Act, a district may issue *refunding warrants* or *general obligation bonds to refund warrants* should taxes or other revenues be delayed or insufficient to pay the warrants. The refunding warrants or bonds may also be secured by a levy of *ad valorem* taxes upon all taxable property in the district without limit as to rate or amount or, for a district subject to the Extension Limitation Law, may be issued as limited bonds.

Warrants initially issued are not regarded as or included in any computation of indebtedness for the purpose of any statutory provision or limitation. Refunding warrants and general obligation bonds issued to refund warrants may be issued without regard to existing debt limitations. Upon being issued, however, such general obligation refunding bonds or warrants must be included and regarded as indebtedness.

Teachers' Orders. Teachers' orders are, in effect, promissory notes for wages due, paid in lieu of cash or a check to a teacher. Wages of teachers are paid in a manner agreed upon by the school board, but at least one payment must be made during each school month. The board issues and delivers an order to the school treasurer for the amount of salary due. Teachers' orders must be issued when due, even though there is no money in the Educational Fund, and the orders become a liability against future Educational Fund revenue of the district.

The school treasurer cannot pay out funds of a district except upon an order of the school board signed by the president and clerk, or secretary, or by a majority of the board. When teachers' orders are presented to the treasurer and cannot be paid because of lack of funds, the treasurer endorses the orders over his or her signature "not paid for want of funds," marks the date of presentation and records the endorsements. After an endorsement, the order becomes negotiable and bears interest not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields per annum. The order remains outstanding and interest accumulates until the treasurer notifies the clerk or secretary, in writing, that he or she has funds to pay the order. The order draws no interest after notice is given to the clerk or secretary (Section 8-16 of the School Code).

Charter school districts having a population of less than 500,000 may issue to teachers and other employees of the district orders in payment of salaries (Section 32-4.14 of the School Code). (As of December 1, 1996, there are 12 such charter school districts in Illinois.)

## Anticipation of Revenue Act

The Anticipation of Revenue Act (50 ILCS 425/1 et seq.) authorizes units of local government and school districts to issue obligations to anticipate revenue from any sources including, but not limited to, federal aid, state revenue sharing, local taxes and fees.

Anticipatory obligations issued against such expected revenues for any purpose shall not exceed 85 percent of such revenues. Written assurance of the amount of revenue to be received from a particular source must be filed with the proper county clerk before the obligations can be issued.

Obligations issued under this Act shall be due not more than 12 months from the date of issue and shall bear interest at a rate not exceeding the maximum rate authorized by the Bond Authorization Act (30 ILCS 305/0.01) at the time of issuance.

Several duties are imposed upon the treasurer of the district including authentication of notes and coupons, providing certificates of authenticity, keeping a registry of each series of notes issued, transmitting funds to pay principal and interest, and insuring that notes are paid.

Severe penalties are provided if notes are issued in excess of the limitations. Any official of the unit of local government or school district who votes for or otherwise influences the issuance of notes under this Act in excess of the limitations provided in the Act "shall be liable for twice the sum of such excessive notes to the unit of local government or school district as the case may be and shall be ineligible for his office and be subject to removal from office."

## Long-Term Borrowing

### Bond Issue Notification Act

Public Act 89-655 (House Bill 2645), effective January 1, 1997, requires school boards to hold at least one public hearing concerning the school district's intent to sell non-referendum general obligation bonds or limited (tax) bonds before adopting the ordinance/resolution to sell the bonds.

The clerk or secretary of the board shall publish notice of the hearing at least once in a newspaper of general circulation in the district not less than seven nor more than 21 days before the date of the hearing. The notice shall not be placed in the legal notice or classified advertisement sections of the newspaper. The notice shall be in substantially the following form:

> The (governmental entity) will hold a public hearing on (date) at (time). The hearing will be held at (location). The purpose of the hearing will be to receive public comments on the proposal to sell bonds in the amount of $ (amount) for the purpose of (state purpose).

Any notice that excludes that information shall be deemed invalid. Governmental units issuing non-referendum general obligation bonds or limited bonds subject to backdoor referendum under applicable law may publish one notice that includes both the information required by this Section and by the backdoor referendum provision.

At the required hearing the board shall explain the reasons for the proposed bond issue and permit persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits. The hearing may be adjourned to another date without further notice other than a motion, to be entered upon the minutes of the board, fixing the time, place, and date of the reconvened hearing.

The board shall not adopt the ordinance selling the non-referendum general obligation bonds or limited bonds for a period of seven days after the final adjournment of the public hearing.

School districts that are issuing either refunding general obligation bonds or refunding limited bonds are not required to comply with the provisions of this Act.

Health/Life Safety Bonds. If the regional superintendent of schools having jurisdiction over a school district certifies to the school district and the State Board of Education that the work proposed for which the non-referendum general obligation bonds or limited bonds will be issued is work that is required in order to meet the minimum mandatory safety requirements under the Health/Life Safety Code for Public Schools created pursuant to Section 2-3.12 of the School Code, the school district issuing the bonds is not required to comply with the provisions of this Act. If the board of education of a school district exempt from Section 2-3.12 of the School Code (Chicago School District 299) certifies to the State Board of Education that the work proposed for which the non-referendum general obligation bonds or limited bonds will be issued is work that is required in order to implement a capital improvement program to provide for the health, life, and safety needs of the pupils, school personnel, and school district, the school district issuing the bonds is not required to comply with the provisions of this Act.

Emergency Situations. School districts that are issuing non-referendum general obligation bonds or limited bonds for the purpose of making improvements or restorations, the necessity for which is caused by any casualty, accident, or emergency, are not required to comply with the provisions of this Act. As used in this Section, "emergency" means a condition requiring immediate action to suppress or prevent the spread of disease or to prevent or remove imminent danger to persons or property.

Working Cash Fund Bonds. For the purpose of creating or increasing a Working Cash Fund, the school board of a district having a population of less than 500,000 may incur a bonded indebtedness. Total indebtedness cannot exceed, in the aggregate, 85 percent of the taxes permitted to be levied for educational purposes for the current year plus 85 percent of the last known personal property replacement tax revenue entitlement minus any balance currently in the Working Cash Fund. The maximum amount a district can have in its Working Cash Fund is calculated by this same formula.

The Working Cash Fund may be created by issuance of bonds and/or by resolution of the school board to levy an annual tax not to exceed .05 percent. Working Cash Fund monies may be used only for the purposes of authorized interfund loans. Monies in the fund are not regarded as current assets available for school purposes and may not be used by the school board other than to loan monies with which to meet ordinary and necessary disbursements for salaries and other school purposes. The monies may be loaned to any fund of the district for which taxes are levied. Working Cash Fund monies are considered loaned in anticipation of the amount of taxes to be received in excess of the amount necessary to pay any outstanding tax anticipation warrants and related interest. Working cash fund loans must be repaid when the taxes which were anticipated are received (Sections 20-1, 20-2, 20-3, 20-4, and 20-7 of the School Code).

Funding Bonds. At times, orders for the wages of teachers or for the payment of claims are created that cannot be met from current revenue. These obligations may be paid by issuing funding bonds. Before issuing funding bonds, the school board must adopt a resolution declaring its intention to issue bonds for the purpose(s) provided. The notice of intent to issue bonds to pay claims must be published.

The notice informs a district's voters both that the school board intends to issue bonds and that bonds will be issued unless a petition requesting an election is presented to the board within 30 days from the date of the notice. If a petition signed by at least 10 percent of the district's legal voters is filed requesting the school board to call an election, an election must be held before the bonds can be issued (Sections 19-8 and 19-9 of the School Code).

Refunding Bonds. Refunding bonds may be issued to pay the outstanding binding and subsisting legal obligations of a district. Refunding may be for bonds and interest due when funds are not available for their payment, or for reissuing (refinancing) callable bonds (which have not matured) at a lower rate of interest. If the district's indebtedness does not exceed the appropriate debt limitation at the time the bonds are issued, these bonds may be refunded by issuing refunding bonds at a later date. Refunding bonds may be issued without a referendum (Sections 19-15 and 19-16 of the School Code).

Fire Prevention, Safety, Environmental Protection, Energy Conservation, Handicapped Accessibility, School Security and Specified Repair Purposes Bonds. School districts may expend tax revenues for fire prevention and safety; the protection and safety of the environment, pursuant to the "Environmental Protection Act"; energy conservation; handicapped accessibility; school security; and specified repairs. **These expenditures must be as a result of a lawful order of any agency, other than a local board of education, having jurisdiction over school districts.**

Expenditures for fire prevention, safety, and environmental protection have priority over expenditures for energy conservation, school security, or other purposes. Section 17-2.11 allows a district to tax at a rate of .05 percent (5 cents per $100 EAV) for life-safety purposes. This rate may be increased to .10 percent (10 cents per $100 EAV) upon approval of a majority of the electors at a regularly scheduled election.

Section 17-2.11 also authorizes boards of education to issue bonds without referendum for fire prevention, safety, environmental protection, energy conservation, handicapped accessibility, school security and specified repair purposes. The intent of the law concerning the authority to issue bonds is to expedite the rehabilitation of buildings to meet fire prevention and safety standards, to meet environmental regulations, to reduce energy consumption, to improve handicapped accessibility, to provide security features, and to make specified repairs. (Note: School districts subject to the provisions of the Property Tax Extension Limitation Law will be required to have a referendum unless they qualify under the provisions of Senate Bill 368, Public Act 89-385, to issue "limited (tax) bonds.")

Building and School Site Acquisition. A school district is not required to hold a referendum to purchase a building site, but there must be a favorable vote by the voters of a district before bonds may be issued or a building constructed. Expenditures for the purchase of a building site and additions to existing structures may be made from the Operations and Maintenance Fund without approval of the voters. School boards shall not accumulate monies from taxes for operations and maintenance purposes unless there is voter approval for this action (Section 17-5.1 of the School Code). A favorable referendum must be held to authorize acquisition of a residential site for a school district (Sections 19-2 and 19-3 of the School Code).

The construction of school buildings or office facilities without a referendum is permitted only when the work is paid for with funds received from the sale or disposition of other buildings or lands of the school district or with funds received from sources such as gifts or donations. However, no funds derived from bonded indebtedness or a tax levy can be used for these purposes (Section 10-22.36 of the School Code).

School Sites and Office Facilities. A board of education may buy or lease school building sites and school offices. The purchase of such sites or office facilities may be by contract for deed, contracted for a maximum of ten years (Section 10-22.35A of the School Code). Districts may borrow funds for the purchase and/or improvement of real estate for vocational education purposes.

Section 10-22.12 of the School Code authorizes school boards to "lease, for a period not exceeding 99 years, any building, rooms, grounds and appurtenances to be used by the district for the use of schools or for school administration purposes and to pay for the use of such leased property in accordance with the terms of the lease. The board shall not make or renew any lease for a term longer than 10 years, nor alter the terms of any lease whose unexpired term may exceed 10 years without the vote of 2/3 of the full membership of the board."

A school district may enter into such a lease agreement (with a local bank or an investment bank) for a building which has not yet been built or for additions, improvements or renovations of existing buildings. The bank may assign its interest in the lease to a trustee who then issues Certificates of Participation (COPS) to investors. The proceeds of the sale of the COPS are used to pay for the acquisition or construction of the leased property. The lease payments made by the district to the trustee are used to pay interest on and retire the principal of the COPS.

There is no authority for the district to levy a special unlimited tax as to rate or amount to make such lease payments. A district may, however, levy a tax to lease educational facilities under Section 17-2.2c of the School Code. The permissive rate for the leasing tax is .05 percent; it may be increased to .10 percent with voter approval. The proceeds of this tax are to be deposited in the operations and maintenance fund because Section 17-7 of the School Code requires payments "for the rental of buildings and property for school purposes" to be made from the operations and maintenance fund.

Revenue Bonds for Exhibition Facilities. Revenue bonds may be issued without referendum under Section 19a-2 of the School Code for buildings or stadiums constructed to be used primarily for athletic spectator sports. Section 19a-4 authorizes boards to issue bonds, after referendum, to pay deficiencies resulting from exhibition facilities' income being inadequate to make such payments.

Tort Judgment Bonds. Section 9-105 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-105) allows school districts to issue tort judgment bonds for the payment of liabilities created by a tort judgment against the district.

Insurance Reserve Bonds. Section 9-105 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-105) also allows bonds to be issued without referendum for the purpose of creating a reserve for the payment of any cost, liability or loss against which a district may protect itself or self-insure pursuant to Section 9-103 of the Local Governmental and Governmental Employees Tort Immunity Act, as amended, or for the payment of which a district may levy a tax pursuant to Section 9-107 of the Act, including, without limitation, any or all tort judgments or settlements entered against or entered into by the district. Such bonds may be issued in an amount necessary to fund a reserve created for any or all of these purposes. Such reserve fund, including interest earnings reasonably anticipated thereon, must not be funded in an amount in excess of that which is reasonably required for the payment of such costs (including costs of issuance associated with bonds issued for the purpose of funding such reserve fund). Such bonds do not count against the district's statutory debt limit. Monies on deposit in an insurance reserve fund funded from tax-exempt bond proceeds are subject to yield restriction from and after the date of issuance of the bonds, until and as such bonds are retired (Federal Arbitrage Laws).

Limited Bonds (Limited Tax Bonds). Districts subject to the provisions of the Property Tax Extension Limitation Law may issue non-referendum bonds using the debt-service-extension base provision. This provision allows county clerks to continue to extend taxes for a taxing district's non-referendum bonds at the same level as for the 1994 levy year in Cook and the collar counties or for the levy year in which the referendum was held (in the other 96 counties) which made the district subject to the law. When issuing new bonds that will be financed using this provision, the district must label them "limited bonds" under Section 15 of the Local Government Debt Reform Act. The debt-service-extension base can be created or increased by referendum.

If a district has no flexibility within its debt-service-extension base it can consider refunding its non-referendum bonds extending the length of the redemption period and reducing the annual requirements for principal and interest payments. A district may also consider issuing Capital Appreciation Bonds (CABs). A CAB is a governmental security on which the interest on an initial principal amount accretes (technical term) at a stated compounded rate until maturity at which time the investor receives a single payment representing both the initial principal amount and the total investment return interest.

Since interest is not paid on a semi-annual basis, a district may issue bonds with no bond and interest tax levy until the year prior to maturity. This enables the district to structure new debt service around existing indebtedness.

Alternate Bonds. Alternate Bonds may be issued pursuant to the Debt Reform Act and the School Code whenever a school district has a lawfully available revenue source sufficient to provide in each year an amount not less than 1.25 times debt service on any outstanding alternate bonds payable from such revenue source and the alternate bonds to be issued. The revenue source must be pledged to the payment of the alternate bonds and the school board must convenant to provide for, collect and apply the revenue source to the payment of the bonds and an additional .25 times debt service. The bonds are also payable from a full-faith-and-credit tax levy. The intent is that the revenue source will be sufficient to pay the bonds so that taxes need not be extended for their payment. Alternate bonds must be issued for a lawful corporate purpose. They do not constitute debt for the purpose of any statutory provision or limitation unless taxes, other than a designated revenue source, are extended to pay them. The issuance of alternate bonds must be approved by referendum if the requisite number of voters in the district files a lawful petition with the secretary of the school board within 30 days following publication of the district's intent to issue the bonds.

Contract Purchasing of School Buses. A school board, by resolution, may enter into a contract for the purchase of buses to be paid for within a three-year period from the date of the resolution or over such longer period of time as does not exceed the depreciable life of the vehicle (currently five years) (Section 10-23.4 of the School Code).

## Alternate Sources of Long-Term Borrowing

### Illinois Development Finance Authority

The Illinois Industrial Development Finance Authority was created by Public Act 81-434, effective September 7, 1979. Its title was changed to the Illinois Development Finance Authority (IDFA) and its powers were broadened to include units of local government (Public Act 83-669, effective September 23, 1983; Public Act 85-1154, effective July 29, 1988; and Public Act 86-819, effective September 7, 1989) (20 ILCS 3505/1 et seq.).

IDFA is dedicated to the advancement of economic development in the State of Illinois by providing Illinois local governments, businesses and not-for-profit organizations access to capital.

IDFA offers local governments throughout Illinois several important features which save money for borrowers. These include exemption from both state and federal income taxes, the ability to intercept tax, state aid and other revenues and direct them to the bond trustee to pay principal and interest on the bond issue, and to pool bond issues with similar borrowers. These features lower the cost of borrowing and increase the marketability of the issue. Additionally, school districts can benefit in the marketplace from issuing bonds through IDFA as a conduit financier and can rely upon the objective, innovative and experienced guidance of their team of municipal finance professionals.

Since October 1994, twelve school districts have achieved significant interest savings by issuing bonds through IDFA.

Belvidere Community Unit School District 100
(Dundee) Community Unit School District 300
Geneva Community Unit School District 304
Palatine Community Consolidated School
  District 15
Rockford School District 205
St. Charles Community Unit School District 303
Springfield School District 186
(Wheaton-Warrenville) Community Unit School
  District 200
Community H.S. District 155
Indian Prairie Community School District 204
Elgin School District No. U-46
Lockport Township High School District 205

For additional information, contact the Illinois Development Finance Authority, 233 South Wacker Drive, Sears Tower - Suite 5310, Chicago, Illinois 60606, 312/793-5586, Fax 312/793-6347.

Illinois Rural Bond Bank

The Illinois Rural Bond Bank was created by state statute in 1989 to assist local governments in obtaining low-cost capital for infrastructure and other public improvement projects. The Bond Bank initially served local governments located outside the Chicago metropolitan area. In 1995, the state expanded the Bond Bank's territory to include also DuPage, Kane, Lake, McHenry and Will counties.

The municipal bond market is the primary source of capital for Bond Bank programs. Through a process called conduit financing, the Bond Bank sells its bonds in the market and lends the proceeds of the sale to participating local governments. The Bond Bank retires its debt with the principal and interest payments it receives from the local government loans.

Since Bond Bank bonds are backed by the moral obligation of the State of Illinois and the interest on Bond Bank bonds is exempt from state as well as federal income tax, lower overall borrowing rates are obtained. The Bond Bank's ability to pool a number of financing needs into one large bond issue provides additional savings by sharing the costs of issuance among the participating local governments.

The Bond Bank has provided low-cost, accessible financing in the amount of $10,455,000 to 11 school districts since 1990:

- Bethalto Community Unit School District #8 (Madison County)
- Ewing Northern School District #115 (Franklin/Jefferson Counties)
- Fulton County School District #3
- LaHarpe School District #335 (Hancock/ Henderson/McDonough Counties)
- Mt. Pulaski School District #23 (Logan/ Dewitt/Macon/Menard/Sangamon Counties)
- North Clay School District #25 (Clay/ Effingham Counties)
- Pleasant Plains School District #8 (Sangamon/Menard/Morgan Counties)
- Raccoon Community School District #1 (Marion/Jefferson Counties)
- Riverdale School District #100 (Rock Island County)
- Rochester School District #3A (Sangamon/Christian Counties)
- South Fork School District #14 (Christian County)

For additional information, contact the Illinois Rural Bond Bank, 427 E. Monroe Street, Suite 202, Springfield, Illinois 62701, 217/524-2663, FAX 217/524-0477.
E-mail: bondbank@pop.state.il.us

Southwestern Illinois Development Authority

The Southwestern Illinois Development Authority (SWIDA) was created by Public Act 85-591, effective September 20, 1987. Public Act 86-1455, effective December 12, 1990, revised financing provisions of the Authority, and Public Act 89-460, effective May 24, 1996, made SWIDA Bonds exempt from state income taxes. Units of local government, including school districts, located within the boundaries of the Authority (Madison and St. Clair Counties) are now permitted to sell bonds to/through the Authority and pledge General State Aid and other state revenues received through the State Board of Education to meet principal and interest payments (70 ILCS 520/1 et seq.).

SWIDA also has the power to buy, sell, lease, and develop property.

School districts in Madison and St. Clair Counties may secure additional information by contacting the Southwestern Illinois Development Authority, Magna Bank Center, 1 Eastport Plaza Drive, Collinsville, Illinois 62234, 618/345-3400.

## Recording of District Revenues and Expenditures

The recording of revenues and expenditures of a school district is governed by a uniform chart of accounts promulgated by the State Board of Education. Information on the Illinois Program Accounting Manual for Local Education Agencies (the chart of accounts) may be obtained from the State Board of Education, Financial Outreach Services Division at 217/782-2491.

Corporate Personal Property Replacement Funds. Corporate Personal Property Replacement Funds are collected and distributed by the Illinois Department of Revenue. Districts began receiving payments of Corporate Personal Property Replacement Tax revenue in January 1980. Replacement revenues are recorded as "Payments in Lieu of Taxes" - Revenue Account Number 1230. The payment schedule for the replacement funds is eight payments per year. The scheduled payment dates are:

January 20
March 20
April 20
May 20
July 20
August 20
October 20
December 20

Corporate Personal Property Replacement Tax (CPPRT) revenues must be applied first to the Bond and Interest Fund (for bonds issued prior to January 1, 1979) and second to the Municipal Retirement/Social Security Fund to replace tax revenues lost due to the abolition of the Corporate Personal Property Tax. Since "Medicare Only" payments were not in existence at that time, none of these taxes are required to be allocated for the "Medicare Only" portion of the Social Security payments. The bond and retirement lien percentages of the Personal Property Replacement Tax are based on the 1978 tax year collections of property taxes. Steps for computing the lien amounts for the Bond and Interest Fund and the Municipal Retirement/Social Security Fund (MRF/SS) are as follows:

1. Amount needed* for Bond and Interest payments for bonds issued prior to January 1, 1979, $____________.
2. Amount needed* for Municipal Retirement/Social Security Fund (MRF/SS) $___________.
3. 1978 Corporate Personal Property Tax Collections divided by 1978 Total Tax Collections = 0.xx
4. Line 1 x Line 3 = Earmarked Bond and Interest Money
5. Line 2 x Line 3 = Earmarked MRF/SS Money

* As shown in the current year's budget

After satisfying the liens for the Bond and Interest Fund and the Municipal Retirement/Social Security Fund, the CPPRT revenue may be deposited into any fund which receives taxes.

Tax Revenues. Upon receipt, tax revenues are to be prorated according to the tax extension into the respective account and/or fund. School districts receiving taxes under an accelerated method of tax billing should use the prior year's proration schedule. If the district is informed of the actual proration prior to July 1, then the district makes the necessary adjustments. If the district does not know the proration by July 1, the district auditor makes the necessary adjustments retroactive to June 30.

The initial distribution of taxes shall not be regarded as being only for one fund (the Educational Fund, for example); it must be prorated among all funds for which taxes were levied as explained above.

Proceeds from Sale of Property. School boards are required to use the proceeds from the sale of school sites, buildings, or other real estate to pay the principal and interest on any outstanding bonds on the property being sold. An equal amount of taxes levied for bond and interest payments must then be abated. After all such bonds have been retired, the remaining proceeds from the sale shall next be used by the school board to meet any urgent district needs as determined under Section 2-3.2 of the School Code (school building code) and Section 17-2.11 of the School Code (fire prevention, safety, and other specified purposes) and then may be utilized for any other authorized purpose and may be deposited into any district fund (Section 5-22 of the School Code). This revenue is recorded in Revenue Account Number 7320, "Sales of Buildings and Grounds."

General State Aid. Section 18-8 (and Section 18-8.05, which becomes effective June 1, 1998) of the School Code provide that General State Aid monies may be recorded into any fund from which the district is authorized to make expenditures. The revenue is recorded in Account Number 3001. General State Aid monies may not be recorded in the Working Cash Fund, as no expenditures (only loans and transfers) are permitted from the Working Cash Fund.

Supplementary State Aid. Supplementary state aid received under the provisions of Sections 18-8(A)(1)(m), 18-8(A)(5)(m), 18-8.2, 18-8.3, 18-8.4, or 18-8.5 of the School Code is recorded as revenue in any fund from which the district is authorized to make expenditures. For appropriate account numbers, see the most recent version of the Illinois Program Accounting Manual. Such receipts (revenues) may not be recorded in the Working Cash Fund.

Privilege Tax on Mobile Homes. The revenues from the privilege tax on mobile homes are recorded in Revenue Account Number 1210. These tax monies may be recorded in any fund of the district.

Impact Fees. Impact fees (also called development fees) are charges assessed against new development that attempt to cover the cost of providing services needed to serve the development. Generally collected at the building permit stage, impact fees are a relatively new source of revenue for counties and municipalities that promote the use of impact fees as a way for growth to "pay its own way." By charging at the beginning for these new services or infrastructure needs, local officials believe this will help ensure that existing residents will not have to bear the new costs. The logic behind this rationale is that existing residents have already paid or committed to pay for existing services, and each new growth area should help to pay for the new service needs it has specifically created.

Voluntary impact fees have also been requested of developers by municipalities and school districts. School districts should record such impact fees in Revenue Account 1290, Other Payments in Lieu of Taxes.

Capital Development Board Bond Funds. In the event that school districts receive funds from the Capital Development Board for the retirement of bonds, they are to record these monies as follows:

1. The principal amount is recorded in the Bond and Interest Fund under the classification, Capital Development Board Bond Principal, Revenue Account Number 3900.
2. The debt service interest amount is recorded in the Bond and Interest Fund under the classification, Capital Development Board Bond Interest, Revenue Account Number 3905.

## Handling of Selected District Expenditures

School Reform Expenditures. Expenditures from school reform revenues are recorded under the appropriate functions, i.e., the programs or areas for which the revenues are intended. Refer to Chapter 3 of the *Illinois Program Accounting Manual for Local Education Agencies* (IPAM/LEA) to determine the current functions. Examples of appropriate function numbers are

Function 1110, Elementary Instruction for the Reading Improvement Program;

Function 1130, High School Instruction for Driver Education;

Function 1200 (series), Special Programs for Early Childhood, Preschool, and Alternative Education Programs; and

Function 2210, Improvement of Instruction Services for any programs related to improvement of instruction, such as the costs of inservice programs.

Board Payment of Employee Share of Teacher Retirement. In those instances where local boards of education have agreed to pay all or a portion of the employee contribution to the Teachers' Retirement System, the payment should be coded as an employee benefit (Object #2, *Illinois Program Accounting Manual for Local Education Agencies*). Salaries are charged to the appropriate function numbers (i.e., the function under which the employees work). Employee benefits are also charged to the appropriate function numbers.

Employee and employer contributions for early retirees must be based on the highest, rather than last, full-time annual salary during the fiscal years that were considered in determining the final rate of earnings. The employer pays any employer contributions from the same fund which is used to pay earnings to employees.

Unemployment Insurance. School districts have the option of electing a percentage contribution or a dollar-for-dollar reimbursement to the State Unemployment Insurance Program. Federal program monies may be used for their proportionate share of the contribution payment or toward building a self-insurance reserve for making reimbursement payments. Expenditures are charged to the same fund from which salaries are paid. Districts should charge expenditures to Account Number 1-2310-380 in the Educational Fund, Account Number 2-2540-380 in the Operations and Maintenance Fund, and Account Number 4-2550-380 in the Transportation Fund. If more detailed cost allocation is desired, districts can distribute the Educational Fund costs to the proper functions. School districts may levy under tort immunity for unemployment compensation insurance purposes.

Medicare-Only Payments. Some school employees who are exempt from Social Security coverage (certified personnel covered under the Teachers' Retirement System) are covered under Medicare-Only requirements. In these instances the employer's share of benefits (1.45 percent of all earnings for calendar year 1994 and thereafter) is to be charged to the same function or functions as the employee's salary, Object Code 214. House Bill 2630 (Public Act 84-1472), effective January 23, 1987, authorized separate levies for Municipal Retirement purposes and Social Security purposes (including Medicare Only), effective with 1987 taxes payable in 1988.

Free Meals-Social Security Payments. The Social Security Division of the State Employees' Retirement System of Illinois instructions concerning the wage status of meals or lodging furnished employees are that meals furnished employees are not considered wages for Social Security if the meals are furnished on the school premises and are furnished for the convenience of the employer.

Shelterability of Board-Paid Teacher Retirement. The Internal Revenue Service has issued two general revenue rulings under which a board of education may treat its contributions to the state Teachers' Retirement System (TRS) on behalf of its employees as excludable from gross income for federal income tax purposes. Under the rulings, board contributions to TRS are treated as excludable from gross income if the district's plan meets the following two criteria:

- The board must specify that the contributions, although designated as employee contributions, are being paid by the board in lieu of contributions by the employee, and
- The employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the pension fund.

## Public Treasurers' Investment Pool

Finding a suitable place for short-term investments of small amounts of excess monies may be difficult for some school district treasurers. The Illinois Public Treasurers' Investment Pool (IPTIP) is designed to provide a convenient and economical means of investing short-term funds. The management and operation of the pool under the supervision of the State Treasurer is open to participation by local school districts and other governmental units.

Other features of the pool include

- **Liquidity**. Deposits and withdrawals are made by wire transfer or check at the sole discretion of participating treasurers with no prior notification to the Pool's custodian.
- **Maximized Income**. All income is computed and credited daily. Friday deposits into the Pool earn interest for Friday, Saturday, and Sunday.
- **Daily Valuation of Assets**. All assets in the Pool are valued daily in conformance with state statutes and policies of the State Treasurer.

- **No Minimums**. There are no minimum deposit or withdrawal levels. Participants maintain full control over the flow of their assets.

- **Fees**. IPTIP pays all expenses relating to the operation of the Pool from an administrative charge of .25 percent on its assets while the Pool balance is over $500 million. When the Pool balance falls below $500 million, the administrative charge is increased to .27 percent.

- **Check Writing**. Upon the request of participating treasurers, the custodian will establish checking accounts for each IPTIP account opened. Public treasurers can use their IPTIP checks to pay bills or meet employee payrolls or other financial obligations.

As of November 30, 1996, 38 ROEs, 28 school district treasurers (in Cook County), and two ISCs have funds received for distribution to LEAs deposited directly into IPTIP accounts. If an ROE were to have all of its districts in IPTIP there would be an automatic flow-through of funds from the ROE account to the districts' accounts.

To secure additional information on participation in IPTIP, contact the Illinois State Treasurer, State of Illinois Center, 100 West Randolph, Suite 15-600, Chicago, Illinois 60601. A toll-free telephone number, 800/346-7414, is provided for the convenience of public treasurers.

### Illinois School District Liquid Asset Fund Plus

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) is a comprehensive cash management service that was created in 1984 by the Illinois Association of School Boards, the Illinois Association of School Administrators, and the Illinois Association of School Business Officials. ISDLAF+ offers its participants two professionally managed portfolios--the Liquid Series and the MAX Series--that provide competitive money market rates. Both Series are rated AAAM by Standard and Poor's, the highest such rating for investment pools. The Series' rates are earned on the pooled investments of participating public schools, community college districts, and educational service regions. Interest earnings are calculated daily on every dollar in each Series and credited to each participant's account at the end of the month. Money is deposited by wire transfer and can be withdrawn either by wire transfer (the MAX Series has a minimum 30-day investment period) or in the case of the Liquid Series, simply by writing a check. There is no limit to the number of checks a district may write per month or the amount of each check and no prior notification is needed. Computerized or manual checks are available. The underlying portfolios of investments are managed on a day-to-day basis by a professional money manager, Cadre Securities, Inc., Ronkonkoma, New York.

ISDLAF+ also provides a variety of fixed-rate/fixed-term investment alternatives. These options include 1) $100,000 federally insured certificates of deposit (CDs); 2) Jumbo insured certificates of deposit; 3) U.S. Treasury securities; 4) U.S. government agency securities and securities of government sponsored entities; 5) commercial paper; and 6) bankers' acceptances.

In addition, ISDLAF+ provides participating school districts and community college districts with customized bond reinvestment programs complete with arbitrage calculations, and through its Managed Account Program (MAP), provides individualized investment management, which continually "fine tunes" a district's investment needs to meet projected cash flow demands.

ISDLAF+ is governed by the participants who elect nine trustees who are school board members, superintendents, school business managers/treasurers and chief financial officers of community colleges. The trustees adopt policies that provide for the day-to-day operation of the Fund and its additional services and hire the professionals who deliver the services. ISDLAF+ programs are endorsed by IASB, Illinois ASBO and IASA.

For further information about the operation and structure of ISDLAF+ and the options and advantages provided, call or write ISDLAF+, c/o Cadre Securities, Inc., Suite 266, 40 Shuman Boulevard, Naperville, Illinois 60563, 888/ISDLAFP.

## State of Illinois Cooperative Purchasing Program

The Governmental Joint Purchasing Act (30 ILCS 525/0.01 et seq.) allows the cooperative purchasing of personal property, supplies, and services by certain governmental units, including school districts, under a state-organized program. As amended by Senate Bill 1944 (Public Act 87-960), effective August 28, 1992, the Law now permits any not-for-profit agency that meets certain specified requirements to participate in this program.

Joint purchasing generally reduces expenditures due to volume buying and reduced advertising costs. Along with actual dollar savings, indirect savings must also be considered. Elimination of administrative duplication in processing requisitions, evaluating bids, making awards and testing items is an example of indirect savings. It may not be practical to purchase cooperatively all required items of a governmental unit, and not all items are available through this program. Examples of items which may be purchased cooperatively include light bulbs, office supplies, maintenance and automotive supplies, and school buses.

The joint purchasing program is administered by the Illinois Department of Central Management Services. Districts interested in the cooperative purchasing program should contact:

Joint Purchasing Administrator
Procurement Services Division
Department of Central Management Services
801 Stratton Building
Springfield, Illinois 62706
217/785-6935
TDD 217/785-3979

## School District Contracts

All contracts awarded by school districts must be in compliance with the provisions of Section 10-20.21 of the School Code. This section requires all contracts in excess of $10,000 to be awarded to the lowest responsible bidder as determined by the competitive bidding process, except for contracts that are exempted from the competitive bidding requirement. Section 10-20.21 also contains requirements for sealed bids, public bid openings, and advertisement and notice to bidders.

Contracts must be issued to the lowest responsible bidder "considering conformity with specifications, terms of delivery, quality and serviceability."

Fourteen specific types of contracts are exempted from the requirements:

1. Contracts for the services of individuals possessing a high degree of professional skill where the ability or fitness of the individual plays an important part;
2. Contracts for the printing of finance committee reports and departmental reports;
3. Contracts for the printing or engraving of bonds, tax warrants and other evidences of indebtedness;
4. Contracts for the purchase of perishable foods and perishable beverages;
5. Contracts for materials and work that have been awarded to the lowest responsible bidder after due advertisement, but due to unforeseen revisions, not the fault of the contractor for materials and work, must be revised causing expenditures not in excess of 10% of the contract price;

6. Contracts with the manufacturer or authorized service agent for maintaining, servicing or providing repair parts for equipment, where the provision of parts, maintenance, or servicing can best be performed by the manufacturer or authorized service agent;

7. Purchases and contracts for the use, purchase, delivery, movement or installation of data processing equipment, software or services and telecommunications and interconnect equipment, software and services;

8. Contracts for duplicating machines and supplies;

9. Contracts for the purchase of natural gas where the cost is less than that offered by a public utility;

10. Purchases of equipment previously owned by some entity other than the district itself;

11. Contracts for repair, maintenance, remodeling, renovation or construction of a single project involving an expenditure not to exceed $20,000 and not involving a change or increase in the size, type or extent of an existing facility;

12. Contracts for goods or services procured from another governmental agency;

13. Contracts for goods or services that are economically procurable from only one source, such as for the purchase of magazines, books, periodicals, pamphlets and reports and for utility services such as water, light, heat, telephone or telegraph; and

14. Where funds are expended in an emergency and such emergency expenditure is approved by 3/4 of the members of the board.

**Indirect Costs**

Indirect costs (frequently called overhead costs in the private sector) are costs of a general nature incurred for the benefit of several activities (programs, grants, or contracts). These are widespread costs that cannot be readily identified with only one activity, but that benefit several activities for a common or joint purpose. Indirect costs include costs for supporting services such as purchasing, budgeting, payroll, accounting, data processing, and staff services.

Direct costs are those costs that are readily and specifically identified as costs for a particular activity and chargeable to a certain area or program. Direct costs include salaries, employee benefits, and all other direct program cost expenses (but exclude distorting expenses such as capital outlay and debt retirement).

Rather than trying to allocate the various indirect costs to the applicable programs, grants or contracts, an indirect cost rate can be used to charge these general expenses to the various activities. The indirect cost rate is the ratio of the district's total indirect costs to the total direct costs. This rate (computed as a percentage) can then be used to determine the indirect costs applicable to a particular program, grant or contract.

There are two types of indirect cost rates--restricted and unrestricted. Their uses are determined by applicable state or federal law, but in general:

> A restricted rate is applied to programs that only supplement and do not supplant or replace local efforts. This rate contains indirect costs primarily related to administration and business support functions. Unrestricted rates apply to other federal programs which do not contain supplanting assurances.

The amount of indirect costs to be borne by a program is determined by multiplying the appropriate indirect cost rate by the direct costs charged to the program.

Indirect cost rates must be calculated by the Illinois State Board of Education under United States Department of Education (DOE) guidelines. The rate is based on applicable expenditures from the school districts' Annual Financial Report. Sample restricted and unrestricted indirect cost computations are shown in Appendix H. Instructions are included in Appendix I.

### Per Capita Tuition Charge and Operating Expense Statistics

The *per capita tuition charge* represents expenditures by a local district from funds received from local property taxes, Common School Fund monies, Education Assistance Fund monies, and federal impact aid plus allowances for depreciation. This is the amount a district charges as tuition to nonresident pupils. Section 18-3 and Section 10-20.12a of the School Code define the procedures for computation of the per capita tuition charge. It is computed by deducting revenues for state categorical programs, local user fees, and federal receipts and by adding a depreciation allowance to the allowable operating expenses. A sample per capita tuition charge computation is shown in Appendix J.

The formula for computing the per capita tuition cost of children attending special education classes in another district (Section 14-7.01 of the School Code) provides that the net cost of conducting and maintaining any special education facility shall be divided by the average number of pupils in average daily enrollment in lieu of average daily attendance.

The *operating expense per pupil* represents the total operating cost of a local district except for non-regular K-12 program expenses. Non-regular program expenses include those for adult education, summer school, and capital expenditures. The statistics are computed annually from information contained in a district's Annual Financial Report. Per-pupil cost is obtained by dividing the allowable expenditures by the average daily attendance for the regular school year. A sample of the operating expense per pupil computation is shown in Appendix J.

Table 6 in the Overview provides a five-year comparison of average per capita tuition charges and operating expenses per pupil by type of district and for Chicago School District 299.

### Business Official Certification

Section 10-22.23a of the School Code empowers school boards to employ a chief school business official. Any chief school business official first employed on or after July 1, 1977, is to be certified under Section 21-7.1. Experience as a school business official in an Illinois public school district prior to July 1, 1977, is deemed the equivalent of certification.

### Intermediate Service Centers

The 1985 school reform legislation authorized the establishment of 18 Educational Service Centers to coordinate and combine existing services including gifted education, computer technology, mathematics, science and reading resources. Senate Bill 937 (Public Act 88-89) provided that the 14 Educational Service Centers located outside Cook County were to be disbanded in August 1995 and their responsibilities and programs transferred to Regional Offices of Education. The Educational Service Center serving Chicago School District 299 was eliminated via the waiver process provided in Public Act 89-3, effective February 27, 1995.

Educational Service Centers are now Intermediate Service Centers.

For further information, contact the Regional Office of Education Services Unit at 217/782-0342 in Springfield or at 312/814-2222 in Chicago.

### Vocational Education Regional Delivery Systems

Sixty Vocational Education Regional Delivery Systems (Education for Employment Regional Delivery Systems) have been established throughout the state. The fiscal years for these systems is July 1 through June 30. They use joint agreement budget forms (Form ISBE 50-34) and annual financial report forms (Form ISBE 50-60).

**Retention and Destruction of School Records**

Under the authority of the Local Records Act (50 ILCS 205/1 et seq.), all local government agencies must make application to the appropriate Local Records Commission prior to the destruction of any local government records. An Application for Authority to Dispose of Local Records (Form LR 26.4 for Cook County and Form RM/M RM-9.1 for all other counties) is prepared for the agency by the staff of the State Archives and submitted to the appropriate Commission for review. When the application is approved, a minimum retention period will be listed (under recommendations) for each record maintained by the school district.

The Local Records Commission of Cook County meets the second Tuesday of each month in Chicago in the County Building, and the Local Records Commission meets the first Tuesday of each month in Springfield in the State Archives Building.

If a school district, special education cooperative, or regional superintendent does not have an approved Application for Authority to Dispose of Local Records or needs to add records to its current application, it or he/she should contact the Illinois State Archives, Records Management Section, Local Records Unit, State Archives Building, Springfield, Illinois 62756. School districts in Cook County may contact the Local Records Unit at 217/782-7076, and school districts in all other counties may contact the Local Records Unit at 217/782-7075.

Illinois Local Records Act

The retention and destruction of all school records is governed by the Local Records Act. The Local Records Commissions do not publish retention schedules. With the assistance of the school district, field representatives of the Local Records Unit conduct records inventories. After the inventory has been completed, the field representative prepares the Application for Authority to Dispose of Local Records and submits the application to the Local Records Unit for review. The staff of the Local Records Unit located in Springfield type the applications for both commissions.

After the appropriate Local Records Commission has reviewed the application, the school district will be notified of the Commission's decision. If the application is approved, a copy is sent to the school district along with a blank Records Disposal Certificate (Form LR-4.10) and instructions for completing the disposal certificate.

The purpose of the Records Disposal Certificate is to request the disposal of specific records for which a retention period has been established in the school district's Application for Authority to Dispose of Local Records. Under the Illinois Administrative Code, school districts are required to submit the Records Disposal Certificate 60 days prior to the proposed disposal date. The Disposal Certificate will be reviewed to determine if the retention requirements of the Application for Authority to Dispose of Local Records have been met. After the disposal certificate has been reviewed in Springfield, the school district will be sent a letter stating whether all the records requested for disposal have been approved for disposal. The disposal certificate will also be reviewed by the Illinois Regional Archives Depository (IRAD) Unit to determine if there are historical records listed on the disposal certificate which the State Archives may be interested in transferring to one of the IRAD depositories.

Microfilming

If original paper records are to be destroyed and/or if the school district intends to substitute originals with microfilm, an Application for Authority to Dispose of Local Records must be secured from the appropriate Local Records Commission.

If a school district intends to substitute use microfilms as substitutes original records with microfilm, the school district should contact the Local Records Unit to obtain a copy of the rules and regulations of the appropriate Local Records Commission regarding microfilming of records.

## Optical Disk Technology

Neither the Local Records Commission nor the Local Records Commission of Cook County has promulgated any rules concerning the use of optical disk technology. This position will be reviewed after complete standards are set by ANSI and/or the National Archives and Records Administration. Until that time, paper records generated or received by local government agencies in Illinois (with a retention of more than ten years) may not be disposed of before their retention periods are complete unless they are converted into an archival microfilm format.

However, records with a retention period of ten years or less may be digitized and maintained in an optical format providing this action is noted on a Records Disposal Certificate filed in the Illinois State Archives office before the original records are disposed of.

It is also the opinion of the assistant director of the Illinois State Archives that optical disk imaging can be used as a method to create microforms. The microforms produced from computer-generated images or original documents may serve as substitutes for the original documents as long as the film conforms with the rules of the appropriate Local Records Commission. Therefore, a school district may scan a document with an optical character reader and produce microforms from the electronic database. The original record may then be disposed of it the film meets the appropriate Commission's standards, and if the school district files a "Disposal Certificate" with the Local Records Unit of the Illinois State Archives.

## E-mail

It should also be noted that information received or created in E-mail systems has the same retention requirement as identical information stored in a different record format.

## Statutory Retentions and Student Records

The Attorney General of Illinois issued an opinion (File No. 83-018) on October 7, 1983, stating in part "before destroying any temporary or permanent student record, or information contained therein, the school district must obtain the written approval of the appropriate local records commission before destroying or otherwise disposing of such records."

The retention periods approved by the Local Records Commission reflect provisions of any applicable laws including the Student Records Act.

All questions concerning the Local Records Act should be directed to the Illinois State Archives, Local Records Unit, M. C. Norton Building, Floor 1E, Springfield, Illinois 62756, 217/782-1082.

## Prevailing Wages

The Prevailing Wage Law (820 ILCS 130/1 et seq) requires each public body, during the month of June of each calendar year, to investigate and ascertain the prevailing rate of wages as defined in the Law and publicly post or keep it available for inspection by any interested party. The public officials can conduct their own investigation, or they can request the Illinois Department of Labor to determine the wage rates.

The Department of Labor keeps a current list of the different classes of workers' crafts along with overtime rates and fringe benefits for each of the 102 counties of the state. This information is available to a public body or any interested citizen upon request.

After the public body passes an ordinance or resolution establishing the prevailing rates for its area, it shall promptly file a certified copy with the Secretary of State in Springfield. Within 30 days after filing with the Secretary of State, the public body must publish in a newspaper of general circulation within the area a notice of its determination. Such public body shall specify in the resolution or ordinance and in the call for bids for the contract that the general prevailing rates of wages in the locality shall be paid for each craft or type of workman or mechanic needed to execute the contract or perform such work. The public body awarding the contract shall cause to be inserted in the contract a stipulation to the effect that no less than the prevailing rates of wages, as found by the public body or Department of Labor or determined by the court on review, shall be paid to all laborers, workmen, and mechanics performing work on contract. It shall also require in all such contractor's bonds that the contractor include such provisions as will guarantee the faithful performance of such prevailing wage clause as provided in the contract.

All bid specifications must contain a list of the most current prevailing wage rates for the county in which the work is to be performed. If the Department of Labor revises the prevailing rate of wages, the revised rates shall apply to the contract. The school district is responsible for notifying each of its contractors and subcontractors about the revised rate.

The Department of Labor will assist school district officials in establishing the proper prevailing rates within their areas. The prevailing wage determination may be obtained without charge by writing the Conciliation and Mediation Division, Illinois Department of Labor, One West Old State Capitol Plaza, Room 300, Springfield, Illinois 62701. On request, school districts will be placed on a mailing list to receive updated information.

The Department will review compliance of each public body with the time requirements and other provisions of this law. Any public body that is not in compliance may be subject to enforcement action by the Department as allowed in the Act.

A "Model Resolution" that can be used in the determination of prevailing wages was included in Informational Bulletin 93-1, August, 1992.

Compliance with the Illinois Prevailing Wage Law is not a substitute for compliance with the federal requirements for prevailing wage determinations under the Davis-Bacon Act (40 U.S.C.A. 276a), as applied to education programs involving federal funds under the General Education Provisions Act (20 U.S.C.A. 1232b). When federal funds are involved, the prevailing wage used is that wage determined by the U.S. Department of Labor, which at any point in time may not be the same as the Illinois Department of Labor determination, since IDOL and USDOL may not survey at the same times, may survey differently, or may use different adjustment factors.

The Illinois Prevailing Wage Law applies to all covered projects under the control of the school district regardless of the source of funds (private funds, foundation funds, etc.). If federal funds are to be used, a resolution different from the form in Informational Bulletin 93-1 adopting the USDOL prevailing wage will be required to maintain compliance with the Illinois Prevailing Wage Act.

### Tax-Exempt Foundations

Section 2-3.74 of the School Code requires the State Board of Education to disseminate to all school boards and superintendents of schools information concerning the procedures governing the creation of tax-exempt foundations qualified to receive gifts, donations, bequests and other contributions for the use and benefit of school districts of the state.

In compliance with this mandate, the legal advisor to the State Board of Education issued a memorandum to regional superintendents of schools, boards of education and school district superintendents on July 13, 1987, on "Procedures Governing the Creation of Tax-Exempt Foundations."

A primary purpose for creating a tax-exempt foundation is to solicit contributions from individuals or corporations, with the intent of applying funds raised toward supplementing the educational programs of a district. The advantages are that contributors may treat the contribution to the foundation as a tax-deductible charitable donation and that the foundation pays no federal or state income tax on the contribution. To achieve this status, however, schools must contact both the Federal Internal Revenue Service and the Illinois Department of Revenue to obtain and submit the necessary forms. If the foundation is to be incorporated, it will be necessary to contact the Secretary of State's office to file articles of incorporation. Whether it is incorporated or not, a foundation must be registered with the Attorney General's office in compliance with the Charitable Trust Act and the Charitable Solicitation Act.

The creation of a tax-exempt foundation for educational purposes has certain advantages. Great care and attention must be given to the intricacies involved in the formation and maintenance of a tax-exempt foundation. The advice of an attorney, accountant or other qualified person knowledgeable in these complicated procedures should be sought before establishing a tax-exempt foundation.

### National Association for the Exchange of Industrial Resources (NAEIR)

Educators can receive free information on a nonprofit program that has provided over $500 million worth of donated supplies to American schools and charities since 1977. These brand new products are contributed by U.S. corporations, who earn a federal income tax deduction for donating. Available supplies include office products, computer software, toys and games, clothing, tools, janitorial supplies, paper products, seasonal decorations, and personal care items. Recipient groups pay $645 annual dues, plus shipping and handling charges, but the products themselves are free. The program administrator says schools average $7,000 worth of new merchandise a year, choosing what they need from 300-page catalogs issued every ten weeks. A moneyback guarantee covers all first-year participants. For a free educator's information kit, phone the nonprofit National Association for the Exchange of Industrial Resources, Galesburg, Illinois, at 800/562-0955 or fax your request to 309/343-0862.

### Accounting and Finance Information

Additional information concerning accounting, finance, budgeting and indebtedness provisions for Illinois school districts can be obtained from School Financial Management Services Division, Center for Fiscal and Shared Services at 217/782-2491.

# PART VI

## School Finance and Emerging Issues

### Monitoring Financially Troubled School Districts

State Board Policy on Financial Review

The State Board adopted the following policy in January 1996 which called for an expansion of existing financial review activities and established parameters to foster continuous improvement:

*The State Board of Education believes that its responsibility for ensuring the fiscal accountability of local school districts in Illinois requires both technical assistance for school districts which are experiencing financial difficulties and formal intervention when those difficulties reach an unacceptable level.*

*To meet this responsibility, the State Board will expand its current financial oversight activities into a "financial review system" which is responsive to the needs and problems of all Illinois districts.*

*This system will include*

*(1) Clearly defined criteria for determining the seriousness of a district's financial difficulties,*

*(2) Continuous monitoring of the financial condition of all school districts,*

*(3) The provision of technical assistance and support to those districts which demonstrate conditions which make them at risk or in financial difficulty, and*

*(4) The identification of districts which are in serious financial jeopardy as either on the "financial watch list" or in need of certification as "in financial difficulty" as provided in Section 1A-8 of the School Code.*

*The criteria for determination of actual or potential difficulty will include both the district's operating funds balance and its long-term debt, using ratios to be established by the state education agency and made widely known to local school districts.*

Background

For nearly a decade, the State Board of Education relied upon a recognized two-tiered approach of financial monitoring in assisting school districts with their efforts to avoid financial crisis and to fulfill the legislative intent of assuring financial continuity of all schools. The Financial Watch List (FWL) was implemented in 1988 to alert school district officials of potential emerging financial difficulty. The second and more serious assessment is the process of certifying school districts as being "in financial difficulty" pursuant to Section 1A-8 of the School Code. The public attention surrounding the annual release of the FWL and certification of school districts has served as a constant reminder of the financial limitations placed upon public education.

The FWL was based over the first ten years on a single measure of financial health, i.e., a ratio of year-end operating fund balances to the annual revenue in the operating funds. School districts in Illinois were placed on the FWL if the sum of their year-end fund balances in the four major operating funds--Educational, Operations and Maintenance, Transportation, and Working Cash--equaled five percent or less of the sum of the year's revenues in the operating funds. This ratio provided an index of a school district's cumulative surplus or deficit. A positive value indicated a cumulative surplus, while a negative value indicated a cumulative deficit.

## Financial Assurance and Accountability: A System of Collaboration, Connectivity, and Continuous Improvement

### Collaboration

Beginning in January 1996, ISBE staff consulted with local school district officials as well as representative groups such as the Illinois Financial Advisory Committee (IFAC), Education • Research • Development (ED-RED), Large-Unit District Association (LUDA), and South Cook Organization for Public Education (SCOPE) to study the problems inherent in the financial oversight activities conducted by ISBE. As a result of those collaborative efforts several areas for improvement were identified. Two of the more significant recommendations were (1) Expanding the current financial oversight activities by adding two recognition categories as depicted in the following comparison, and (2) Referring to the new process as the Financial Assurance and Accountability System (FAAS) and building upon a balanced strategy for identification and outreach. The FWL and Financial Certification activities would be continued with some modifications.

COMPARISON OF SYSTEMS

*Financial Monitoring System*
(Current)

- No Category
- No Category
- Financial "Watch List"
- Financial "Certification"
- Financial Oversight Panel

*Financial Assurance and Accountability System*
(Proposed)

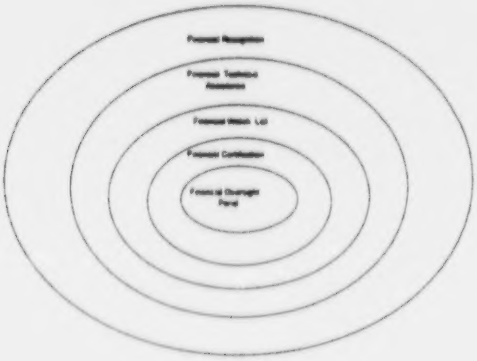
- Financial Recognition
- Financial Technical Assistance
- Financial "Watch List" (revised)
- Financial "Certification"
- Financial Oversight Panel

The expanded FAAS should be considered a "work in progress," requiring further input, development and refinement. However, it has begun to provide a critical framework for systematically financially analysing, reviewing and monitoring **all** school districts in Illinois. It has also begun to lay a foundation that will address accountability provisions of local school districts from a financial planning and reporting perspective and also complement the ISBE initiative to reform its Quality Review and Accountability Process. By adding two new bands (e.g., Financial Recognition and Technical Assistance) to the previous financial analysis activities (e.g., Financial Watch List, Financial Certification, and Financial Oversight Panel) ISBE has begun to address the concerns of local school district officials. Specifically, the enhanced system will

1. Respond to the needs and problems of all school districts in Illinois, not just those in serious financial jeopardy, with a focus on financial strengths versus financial weaknesses;
2. Incorporate a methodology to define additional criteria for determining the seriousness of a district's financial difficulty;
3. Expand the role of ISBE in providing continuous monitoring and technical assistance outreach and services; and
4. Build on the foundation of the publicly recognized FWL and reinforce the importance of the Financial Certification process up to and including the appointment of a Financial Oversight Panel.

Predetermined criteria will be clearly articulated for each band of the enhanced FAAS system. There will be continued reliance on AFRs as submitted by local school districts. A timely analysis will be conducted to identify which band best defines the financial status of each and every school district in the state. The following Overview demonstrates the progressive identification of school districts' financial status in Illinois with a desire to maximize the number of school districts in the most outer band of Financial Recognition.

## Financial Assurance and Accountability System Overview



**Financial Recognition:** Meets all criteria identified for a school district to be considered financially solvent and does not require active monitoring by ISBE.

**Financial Technical Assistance:** Does not meet all criteria considered essential for a school district to be financially solvent. Steps will be taken to assure district awareness of identified deficient factors, which may eventually lead to a school district's inclusion on the Financial Watch List.

**Financial Watch List:** Modified the historical (5%) funds-balance ratio threshold by identifying only those school districts that have a negative fund balance and/or meet any one of the three criteria for certification pursuant to Section 1A-8 of the School Code.

**Financial Certification:** Assess all school districts on the FWL who qualify pursuant to Section 1A-8 of the School Code for certification as being in Financial Difficulty. Recommendations are forwarded to the State Superintendent for consideration of those school districts that should be proposed for certification by the State Board of Education.

**Financial Oversight Panel:** As provided by Article 1B of the School Code, staff will stay in constant contact with each school district certified as being in financial difficulty. Recommendations for Financial Oversight Panels will depend on the school district's desire to petition for Emergency Financial Assistance or its failure to comply with its approved plan.

### Connectivity

Another significant recommendation that emerged from the review of prior financial review activities is the need to develop internal capacity to provide necessary technical assistance to all school districts, but primarily to those on the FWL or under Financial Technical Assistance. To this end, the following technical assistance activities and services have been identified as a preliminary effort to assist local school districts in improving their short- and long-range financial management circumstances.

Financial Assurance and Accountability System Bands-- ISBE Technical Assistance Activities and Services

Financial Recognition-- Identify/promote best and innovative practices and encourage collaborative efforts on a regional basis.

Financial Technical Assistance-- Technical assistance will be provided by ISBE staff based on the following:

1. The school district's independent audit reviews
    - Annual Financial Report
    - Federal "Single Audit" Compliance Report
    - Management Letters

2. Comprehensive Financial Profile with 3-5 year trend analysis
3. Comprehensive checklist (e.g., facilities, etc.)

Financial "Watch List"-- Increased focus on school districts that are deficit-financing. Assign staff to conduct comprehensive analysis of district finances (e.g., cash-flow position, adopted budget, supporting financial management systems, etc.).

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Financial "Certification"-- Certify districts pursuant to Section 1A-8 of the School Code. Assign staff to ensure school districts develop and adhere to an approved multi-year financial plan. Provide periodic accountability reports to ISBE.

Financial Oversight Panel-- Continue to appoint Oversight Panels as required pursuant to Article 1B of the School Code. Staff will ensure accountability with all provisions of the statutes.

The major intent of the FAAS is to eliminate any stigma that was attached to the traditional Financial Watch List process and build on a process of collaboration and trust between ISBE and all school districts. The FAAS will expand, yet focus, financial information and technical resources available within ISBE. A more comprehensive and timely analysis will enhance the credibility of the entire process to create a "value added" process once technical assistance activities and services are provided.

### Financial Watch Not Caused by Mismanagement

The Illinois districts exhibiting financial difficulty, generally speaking, have problems attributable to static or declining local property values, unpredictable and insufficient state financial support, and an unwillingness on the part of local taxpayers to support local tax increases. A wide range of short-term financing mechanisms, readily accessible to most districts, serve to encourage districts to borrow in hopes of a brighter revenue picture.

In general, districts with financial difficulties have developed problems over a number of years, not in a single year. Most such districts have spent with restraint, but have spent more than the revenues available. Deficit budgets are neither illegal nor unexpected and will likely be experienced, at least periodically, by even the most well-managed school district.

Though perhaps guilty of too much faith in the future, school districts generally have been both cost- and quality-conscious. Districts have attempted to maintain program quality at the expense of balancing the budget and in hopes that the revenue picture in the future would be brighter. As the short-term indebtedness of a district grows, however, expenditure adjustments become inevitable.

### Financially Distressed School Districts

Senate Bill 1324, Public Act 88-641, effective September 9, 1994, provided for the certification of a school district by the State Board of Education as a "financially distressed district." The Act amended Section 19-1 and added Section 19-1.5 to the School Code.

If a school district requests certification as a "financially distressed district" and meets the criteria in Section 19-1.5 of the School Code, the State Board of Education "shall certify the district as a financially distressed district."

Criteria in Section 19-1.5 of the School Code:

- A school district levies its taxes for educational and operations and maintenance purposes at the maximum rates authorized with voter approval, or
- Files a petition for certification pursuant to resolution of the school board and
    - The voters of the school district at the most recent regularly scheduled election have defeated a proposition to increase the tax rate for the tax levied for educational purposes.
    - The total aggregate indebtedness of the school district, at the time the petition is filed, equals or exceeds the debt limitation applicable to the district under subsection (a) of Section 19-1 (including, but not limited to, Working Cash Fund, funding, and tort liability bonds).
    - The amount of General State Aid distributed to the school district (Section 18-8 of the School Code) for the school year immediately preceding the year in which the petition is filed is at least 20 percent less than the amount distributed for the school year four years prior to the year in which the petition is filed

— The school board has levied its taxes for educational, operations and maintenance, and transportation purposes for each of the prior five school years at the maximum rate authorized by statute or by referendum to levy those taxes for those school years.

If a school district is certified as a financially distressed district, its debt limitation is increased by the lesser of $5,000,000 or 1.5 percent of the value of the property within the district.

The amount of Working Cash Fund bonds (and the maximum amount that can be in the Working Cash Fund) of such a district is increased from 85 percent of the taxes, permitted to be levied for the current year for educational purposes plus 85 percent of the last known entitlement of Corporate Personal Property Replacement Taxes to 125 percent of each of these factors.

Bloom Township High School District 206 was certified by the State Board of Education as financially distressed on September 22, 1994.

### Information/Questions

Questions concerning the financial monitoring efforts of the State Board can be directed to the School Financial Management Services Division at 217/782-2491.

### Short-Term Debt Summary

Table 13 provides a summary of the use of short-term debt by school districts from 1991-92 through 1995-96. The number of districts issuing short-term debt decreased each year. The amount of short-term debt issued increased to $180,347,449 in 1992-93 (+27.29%), and $194,204,584 in 1993-94 (+7.69%), decreased to $193,053,623 in 1994-95 (-0.59%), and $153,080,646 in 1995-96 (-20.71%).

### Illinois Financial Advisory Committee

More adequate school financing and improved school district financial management are two of the specific goals of the Illinois State Board of Education. One of the advisory committees appointed by the state superintendent of education to deal with and assist in fulfilling these goals is the Illinois Financial Advisory Committee.

This committee has been charged with improving school district financial procedures and reviewing proposed and existing legislation affecting school district financial affairs. Section 2-3.27 of the School Code requires the Illinois State Board of Education to formulate and approve forms, procedures and regulations for school district accounts and budgets; to advise and assist the officers of any district in respect to budgeting and accounting practices; and to confer with various district, region, and state officials. The Illinois Financial Advisory Committee functions to aid the Illinois State Board of Education in achieving these goals.

The Illinois Financial Advisory Committee was formerly called the Illinois Financial Accounting Committee.

**TABLE 13**

## Summary of School District Short-Term Debt

| Debt Instrument Issued | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
|---|---|---|---|---|---|
| Tax Anticipation Warrants | | | | | |
| No. of Districts | 151 | 124 | 107 | 82 | 55 |
| Amount | $135,261,746 | $157,699,328 | $167,874,789 | $142,928,708 | $126,871,369 |
| Tax Anticipation Notes | | | | | |
| No. of Districts | 13 | 10 | 4 | 5 | 3 |
| Amount | $18,882,006 | $12,884,000 | $10,350,000 | $5,931,599 | $2,367,500 |
| Teachers' Orders | | | | | |
| No. of Districts | 18 | 13 | 7 | 1 | 1 |
| Amount | $25,969,714 | $18,330,011 | $11,323,234 | $282,339 | $638,746 |
| General State Aid Anticipation Certificates | | | | | |
| No. of Districts | 4 | 5 | 3 | 2 | 1 |
| Amount | $233,983 | $5,294,245 | $3,505,600 | $3,938,000 | $344,000 |
| Corporate Personal Property Replacement Tax Notes | | | | | |
| No. of Districts | -- | -- | -- | -- | -- |
| Amount | -- | -- | -- | -- | -- |
| All Short-Term Debt Instruments | | | | | |
| No. of Districts* | 186 | 152 | 121 | 90 | 60 |
| Amount | $180,347,449 | $194,204,584 | $193,053,623 | $153,080,646 | $130,221,615 |

* A district may be counted more than once if two or more short-term debt instruments are utilized.

## Mission Statement

The State Board of Education is striving for an equitable distribution of resources to Illinois public schools to provide adequate support for high-quality educational programs. Efforts are being made to improve the management of the public schools at the state and local levels. In connection therewith, and in accordance with the goals adopted by the Illinois State Board of Education, "World-class Education for the 21st Century," the Illinois Financial Advisory Committee provides assistance to the State Superintendent of Education.

The Illinois Financial Advisory Committee endeavors to improve the efficiency and effectiveness of school business management at the state and local levels through various means such as position papers, research and analysis, resolutions, and general and specific recommendations. The Committee shall review and propose legislation dealing with school finance and school business management practices.

The Illinois Financial Advisory Committee adopts as its goals:

- Participation in the professional development of school administrators charged with the responsibility of managing the financial affairs of school districts.
- Advising the School Financial Services Center, Illinois State Board of Education, of problems related to school finance--budgeting, accounting, financial reporting, administrative applications of technology, business management, and legislation needing clarification or study.
- Providing opportunities for accountants, attorneys, auditors, professors, school administrators, township treasurers, and state government personnel to discuss school financial management issues.

The committee shall adopt annually an agenda developed by the Executive Committee which will be presented to the state superintendent of education. Concluding each committee year, the Executive Committee shall report the activities of that year to the state superintendent of education.

## Fiscal Year 1999 Issues

Issues selected for study by the Illinois Financial Advisory Committee for Fiscal Year 1999:

1. Continuous Improvement of the Financial Assurance and Accountability System
    - Financial Watch List
    - Review the effectiveness of school district audits.
2. Review of Finance-related Publications
    - Select those to be revised
    - Review/edit revisions
    - Monitor School Business Services Pilot Program
3. Services
    - Enhance the electronic flow of information
    - Provide business, accounting, and financial management technical assistance
    - Provide advice on long- and short-term borrowing

ISBE Management, Staff and Committee officers are Patricia Thornton, Acting Division Administrator (ISBE); Mr. Mark E. Staehlin, Controller, Chairperson; Dr. F. Larry Copes, Vice-Chairperson; Richard Loman, Principal Fiscal Consultant, Secretary (ISBE).

### Illinois Pupil Transportation Advisory Committee

The Illinois Pupil Transportation Advisory Committee is charged with and participates in the review of all aspects of pupil transportation and makes recommendations for changes to the Illinois State Board of Education.

The committee has recommended a completely revised pupil transportation reimbursement formula, which would have a uniform system of reimbursements for all types of pupil transportation and would include reimbursement for activities (such as field trips) that are not currently reimbursable. The committee has also recommended reimbursement for preschool transportation.

The committee has been reviewing proposed legislation affecting pupil transportation.

Membership of the committee includes regional superintendents or assistant superintendents from each of the six ESR Areas; representatives from Chicago School District 299, the Office of the Secretary of State, the Illinois State Police, the Illinois Department of Transportation, the Illinois State Board of Education, the Illinois Association for Pupil Transportation, the Illinois Association of School Business Officials, and the Illinois School Transportation Association; a school district superintendent; and a representative from school transportation contractors.

The chairperson is Michael W. Wagner, Alpha School Bus, Crestwood, IL, and vice-chairperson is Larry Wort, Bureau of Safety Programs, Illinois Department of Transportation.

### Health Life/Safety Code Advisory Committee

The Advisory Board for School Safety provides assistance to the state superintendent of education in the administration of the Health/Life Safety Code for Public Schools. The board members review the Code periodically and recommend changes when needed to update the Code.

A. Composed of 11 members appointed as follows:

Legislative appointments: 4 members in total

- President of the Senate: 1 member
- Minority Leader of the Senate: 1 member
- Speaker of the House of Representatives: 1 member
- Minority Leader of the House of Representatives: 1 member

Appointments by the Governor: 4 members

- One member shall have resided within a large unit school district for at least 5 years preceding the appointment. (Large unit district is defined as a K-12 district with a student enrollment of 3,500 or more.)

Appointments by the State Superintendent of Education: 3 members

B. Committee Stipulations:

- All appointments shall be made within 15 days after the effective date of legislation.
- Members shall serve without compensation but shall be reimbursed for expenses.
- An organizational meeting must be held within 10 days after the last member is appointed.
- The Committee shall select a member as chairperson at the organizational meeting.
- A majority of the members shall constitute a quorum.

C. Role of the Committee:

1. Purpose:

    - Review the establishment and enforcement of life safety rules and requirements and categorization of life safety items as "urgent" or "required" in safety survey reports as set forth in Section 2-3.12 of this Code and pursuant to the rules and procedures promulgated by the State Board of Education in the Health/Life Safety Code for Public Schools.

2. Specific Responsibilities:

   - Review the process by which items are designated as "urgent" or "required" life safety items and inquire into the classification of life safety items as "urgent" or "required";

   - Review the rules and procedures, including the procedures for appeal and review of safety survey reports and recommendations issued by the state superintendent of Education pursuant to the safety survey reports, established for compelling, obtaining, and implementing remedial construction and retrofitting of school-related property and buildings mandated under the School building code, known as the Health/Life Safety Code for Public Schools;

   - Inquire into and identify budgetary and other problems, difficulties, and matters of controversy that are associated with the conducting of school safety surveys; and

   - Inquire into the enforcement of the Health/Life Safety Code for Public Schools.

3. Reporting Requirements:

   - The Committee shall report its findings and recommendations to the General Assembly, the governor, and the state superintendent of education by September 1, 1999.

   - The report shall contain recommendations to remedy problems, difficulties, and matters of controversy identified in the report, including those related to the definition and classification of life safety items as "urgent" or "required."

D. The amendment that creates the Committee is to be repealed on December 31, 1999.

Purpose:

Review the establishment and enforcement of life safety rules and requirements and categorization of life safety items as "urgent" or "required" in safety survey reports as set forth in Section 2-3.12 of this Code and pursuant to the rules and procedures promulgated by the State Board of Education in the Health/Life Safety Code for Public Schools.

Specific Responsibilities:

Review the process by which items are designated as "urgent" or "required" life safety items and inquire into the classification of life safety items as "urgent" or "required";

Review the rules and procedures, including the procedures for appeal and review of safety survey reports and recommendations issued by the State Superintendent of Education pursuant to the safety survey reports, established for compelling, obtaining, and implementing remedial construction and retrofitting of school-related property and buildings mandated under the School building code, known as the Health/Life Safety Code for Public Schools;

Inquire into and identify budgetary and other problems, difficulties, and matters of controversy that are associated with the conducting of school safety surveys; and

Inquire into the enforcement of the Health/Life Safety Code for Public Schools.

Reporting Requirements:

The Committee shall report its findings and recommendations to the General Assembly, the governor, and the state superintendent of education by September 1, 1999.

The report shall contain recommendations to remedy problems, difficulties, and matters of controversy identified in the report, including those related to the definition and classification of life safety items as "urgent" or "required."

The amendment that creates the Committee is to be repealed on December 31, 1999.

# Part VII

## The School Construction Program

On December 4, 1997, Governor Edgar signed House Bill 452, which created a School Infrastructure Fund to provide Construction Grants and Debt Service Grants under the School Construction Law. It earmarked $1.4 billion in state funds over five years for these grants. The Illinois State Board of Education (ISBE) and the Capital Development Board (CDB) are jointly responsible for administering the program. ISBE's responsibilities include approval of districts facilities plans, calculation of grant indexes for school districts, awarding Construction Grant Entitlements, and awarding Debt Service Grant Entitlements and Grants. CDB's responsibilities include developing construction project standards, space and capacity standards and awarding Construction Grants.

### Eligibility

In order to be eligible for the Construction and Debt Service Grants, school districts must submit applications and district facilities plans to ISBE on forms supplied by ISBE. The district facilities plans include an assessment of present and future district facility needs based on present and anticipated educational programming, the availability of local financial resources, a fiscal plan for meeting present and anticipated debt service obligations, and a maintenance plan and schedule for the facility or facilities.

### Application Summary

| | FY98 | FY99 |
|---|---|---|
| Construction Grant Applications | 56 | 180 |
| ISBE Entitlements | 52 | 150 |
| Capital Development Board | 6 | 80 |

Applications for FY 99 Debt Service Grants and FY2000 Construction Grants were due April 1, 1999.

### Debt Service Grants

Debt Service Grants are awarded by ISBE to assist school districts that passed construction bond referenda between January 1, 1996, and January 1, 1998. The grants are equal to 10 percent of the principal amount of bonds issued times the grant index for the district. The grant funds may only be used to retire the principal of approved school construction bonds, restructure the district debt to reduce future bond and interest tax levies or to abate property taxes levied for a district's bond and interest fund by an amount equal to the amount of the Debt Service Grant. The debt service program terminates on June 30, 1999.

### Construction Grant Entitlements and Grants

Construction Grant Entitlements are awarded to local districts based on their degree of need and project type within prescribed categories. The categories include (1) replacement or reconstruction of school buildings destroyed or damaged by man-made or natural disasters, (2) shortage of classrooms due to population growth or to replace aging buildings, (3) projects resulting from interdistrict reorganization of school districts contingent on local referenda, (4) replacement or reconstruction of school facilities determined to be severe and continuing health and life safety hazards, (5) alterations necessary to provide accessibility for qualified individuals with disabilities, and (6) other unique solutions. Once school districts have been issued a Construction Grant Entitlement by ISBE they must conduct a local referenda, if required by law to authorize the project or financing. CDB makes Construction Grant awards to districts entitled by ISBE based upon the availability of appropriated funds.

The amount of a Construction Grant is equal to the recognized project cost (as determined by CDB) times the district's Grant Index (as determined by ISBE).

## Grant Index

The Grant Index represents the state share of recognized project costs. It is calculated based on a district's wealth (equalized assessed valuation divided by average daily attendance) compared to the wealth of the district at the 90th percentile of wealth for all districts of the same type. Districts with wealth at or above the 99th percentile for their type are assigned a Grant Index of 0. The remaining districts, depending on their wealth, receive a grant index ranging from 0.35 (for wealthy districts) to 0.75 (for poor districts).

## For Further Information

Detailed information about either program may be obtained from the School Construction Services Division at 217/785-8779.

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# APPENDIX B

## GLOSSARY

**ADMINISTRATIVE CAP**: An abbreviated way of referring to the limitation of administrative costs imposed upon school districts by Section 17-1.5 the School Code.

**ALTERNATE BONDS**: Bonds which may be issued pursuant to the Local Government Debt Reform Act and other applicable law(s) whenever a district has a lawfully available revenue source sufficient to provide in each year an amount not less than 1.25 times the debt service requirement on any outstanding alternate bonds payable from such revenue source. The revenue source must be pledged to the payment of the alternate bonds and the district must covenant to provide for, collect and apply the revenue source to the payment of the bonds plus an additional .25 times the debt service amount. The issuance of alternate bonds is subject to a backdoor referendum.

**ASSESSED VALUE**: The value placed on property for tax purposes and used as a basis for division of the tax burden. This amount is subject to the state-issued equalization factor and the deduction of the homestead exemptions.

**AVERAGE DAILY ATTENDANCE (ADA)**: The aggregate number of pupil days in attendance divided by the number of days in the regular school session. A pupil who attends school for five or more clock hours while school is in session constitutes one pupil day of attendance. The best three months average daily attendance of the prior year is used in calculating General State Aid for the current year.

**AVAILABLE LOCAL RESOURCES**: A computation of local financial support, calculated on the basis of average daily attendance and derived from local property taxes and Corporate Personal Property Replacement Taxes expressed on the basis of pupils in average daily attendance. The equalized assessed valuation used in this calculation shall be determined as of the previous September 30. The dollar amount of property taxes used in the computation shall be the product of the equalized assessed valuation multiplied by 3.00%, 2.30% and 1.20% for unit, elementary and high school districts, respectively, divided by the district average daily attendance. The Corporate Personal Property Replacement Tax dollar amount used in the computation shall be based on the amount of said taxes paid the district two years before the calendar year in which a school year begins divided by the average daily attendance figure. The sum of the property tax dollars per pupil and Corporate Personal Property Replacement Tax dollars per pupil shall constitute the available local resources for purpose of the General State Aid computation.

**BOND**: A written promise, signed by the president and clerk or secretary of the board, to pay a specified sum of money (the face value) at a fixed time in the future (the date of maturity) and at a fixed rate of interest.

**BONDING POWER REMAINING**: The difference between the statutory debt limitation (6.9 percent of equalized assessed valuation in dual districts and 13.8 percent in unit districts) and the amount of long-term debt outstanding less bonds outstanding that are excluded by statute (see page ). The statutory debt limitation may be 15 percent when certain requirements are met (Section 19-1, the School Code). Special debt limitations in excess of the statutory limitations are sometimes established by law for districts that meet specific requirements.

**BUILDING BONDS**: Bonds sold for the purpose of acquiring or constructing school buildings and/or sites for school buildings.

**CAPITAL DEVELOPMENT BOARD**: The state agency responsible for developing school sites, buildings, and equipment to meet the needs of school districts unable to provide such facilities because of lack of funds and constitutional bonding limitations. The board also approves funds for area vocational centers and administers school facilities legislation in cooperation with the Illinois State Board of Education. The State

Board of Education establishes eligibility standards and the priority needs standards and notifies the Capital Development Board of approved construction projects The State Board of Education is empowered to issue grant entitlements to school districts, subject to appropriations for such purposes The Capital Development Board receives and approve school construction project grants

**CAPITAL OUTLAY:** Expenditures for infrastructure, buildings, and equipment

**CATEGORICAL AID** Money from the state or federal government that is allocated to local school districts for children with special needs or for special programs

**CERTIFICATES OF PARTICIPATION (COPS)** A relatively new form of financing school construction Section 10-22.12 of the School Code authorizes districts to lease for a period not exceeding 99 years any building, rooms, grounds and appurtenances to be used by the district for the use of schools or for school administration purposes A school district enters into such a lease agreement (usually with a local bank) for a building that has not yet been built. The bank issues Certificates of Participation to investors to acquire the funds to purchase property, build and equip a building, etc The lease payments made by the district are used to pay interest on and retire the principal of the COPS.

**COLLAR COUNTIES**: The five counties that border on Cook County--DuPage, Kane, Lake, McHenry, and Will Counties.

**COMMON SCHOOL**: A term used interchangeably with "local education agency," "local school district," and "public school."

**COMPARABILITY**: Equalization of services funded by state and local resources in Title 1 and non-Title 1 attendance centers ("comparability") must be attained before IASA, Chapter 1 funds can be authorized

**CORPORATE PERSONAL PROPERTY REPLACEMENT TAXES** A state tax on the net income of corporations, partnerships and trusts and an invested capital tax on utilities were enacted in 1979 to replace the local tax on the assessed value of corporate personal property These are taxes paid in lieu of taxes paid on 1978 and prior years' corporate personal property assessed valuation

**DEBT SERVICE** Expenditures made for principal and interest payments on long-term and short-term debt during the fiscal year

**DEBT SERVICE EXTENSION BASE (DSEB)** For districts subject to the provisions of the Property Tax Extension Limitation Law (PTELL) the DSEB is the portion of the district's property tax extension for the payment of principal and interest on the district's non-referendum bonds not including alternate bonds or bonds issued to refund or continue to refund bonds that were initially issued pursuant to referendum, for the levy year in which the referendum was held which made the PTELL applicable to the district For districts in Cook and the Collar Counties, 1994 tax extensions (extended, collected, and distributed in 1995) for such bonds constitute the DSEB. A taxing district with no DSEB or a small DSEB is authorized to create or increase its DSEB pursuant to referendum

**DUAL SCHOOL SYSTEM** The situation in which a separate elementary district (grades pre-K-8) and a high school district (grades 9-12) serve the same geographic area

**EFFORT**: See **TAX EFFORT**

**EQUALIZATION**: The application of a uniform percentage increase or decrease to assessed values of various areas or classes of property to bring assessment levels, on the average, to a uniform level of market value

**EQUALIZATION FACTOR (state multiplier)** The factor that must be applied to local assessments to bring about the percentage increase or decrease that will result in an equalized assessed valuation equal to one-third of the market value of taxable property in a jurisdiction (other than farm acreage and buildings and other than coal rights).

**EQUALIZED ASSESSED VALUE**: The assessed value multiplied by the state equalization factor; this gives the value of the property upon which the tax rate is calculated after deducting homestead exemptions, if applicable. For farm acreage, farm buildings, and coal rights, the final assessed value is the equalized value.

**EXEMPTION**: Removal of property from the tax base. Exemption may be partial, as a homestead exemption, or complete as, for example, a church building used exclusively for religious purposes.

**EXTENSION**: 1) The process in which the county clerk determines the tax rate needed to raise the revenue (levy) certified by each school district in the county. 2) The actual dollar amount billed to the property taxpayers in a district.

**FORMULA GRANT**: A grant for state and/or federal funds to a state or school district, the amount of which is determined by a formula included in the legislation. Such grants must be applied for, and the state or school district is usually required to submit to the funding agency data to support its entitlement, an acceptable plan for use of funds, and assurance of compliance with state and/or federal laws and regulations.

**FOUNDATION LEVEL**: A figure established by the state representing the minimum level of per pupil financial education of each pupil in average daily attendance. In statute, each school district is assumed to exert a sufficient local taxing effort such that, in combination with the aggregate of general state financial aid provided the district, an aggregate of state and local resources are available to meet the basic education needs of pupils in the district. The foundation level of support is $4,225, $4,325, and $4,424 for the 1998-1999, 1999-2000, and 2000-2001 school years, respectively. For the 2001-2002 school year and beyond, the foundation level of support is $4,425 or such greater amount as may be established by law by the General Assembly.

**FUNDING BONDS**: Bonds issued to provide funds for the purpose of paying outstanding teachers' orders/employees' orders or other claims against a district. Subject to backdoor referendum.

**GENERAL STATE AID ADJUSTMENT GRANT**: A grant that is an attempt to compensate for the inequities created by the General State Aid formula for those districts impacted by the Property Tax Extension Limitation Law (see 105 ILCS%/18-8.05(n) definitions).

**GENERAL STATE AID ANTICIPATION CERTIFICATES**: Short-term debt instruments that may be utilized by school districts. The borrowing limit is 75 percent of the General State Aid remaining to be paid to any district during a fiscal year. However, the total amount of General State Aid Anticipation Certificates, Tax Anticipation Notes, and Tax Anticipation Warrants outstanding for any fiscal year may not exceed 85 percent of the taxes levied by the district for that year. Additional authority has been granted to districts to borrow up to 100 percent of the General State Aid to be received in July.

**GRANT INDEX FOR ASBESTOS ABATEMENT**: A formula index designed to determine a state grant entitlement for asbestos abatement. The Asbestos Abatement Grant Index is equal to one minus the ratio of the district's equalized assessed valuation per pupil in weighted average daily attendance to the equalized assessed valuation per pupil in weighted average daily attendance of the district located at the ninetieth percentile for all districts of the same type (elementary, high school, or unit). The grant index may not be less than .5000 and no greater than 1.0000. All nonpublic schools are eligible for state reimbursement in the amount equal to 50 percent of the cost of corrective action if funds are appropriated by the legislature.

**GRANT INDEX FOR SCHOOL CONSTRUCTION**: A formula index used to establish the level of state financial obligation in a school construction project. The School Construction Grant Index is calculated using the same formulas as the grant index for asbestos abatement and makes comparisons by district type (elementary, high school, and unit). The amount of the School Construction Grant Index may not be less than 35 percent nor greater than 75 percent of the recognized project costs.

**INTERFUND LOANS**: Loans between funds as authorized by Sections 10-22.33 and 20-4, the School Code.

**INTERFUND TRANSFERS**: Transfers of money from one fund to another without a requirement for repayment as authorized by Sections 10-22.44, 17-2A, 17-2B, and 20-5, the School Code.

**JOINT AGREEMENT AND/OR COOPERATIVE**: An educational program or programs in which two or more local education agencies and/or eligible institutions of higher education agree to participate by uniting efforts in accordance with a written agreement and by designating a fiscal and legal agent.

**LEVY**: The amount of money a school district certifies to be raised from the property tax.

**LIMITED TAX BONDS**: Districts subject to the PTELL may issue limited bonds (also known as "limited tax bonds") in accordance with the provisions of Section 15.01 of the Local Government Debt Reform Act as amended. Limited tax bonds are non-referendum general obligation bonds, payable from the district's debt service extension base (DSEB). Limited tax bonds can only be issued in lieu of bonds otherwise authorized by applicable law and are subject to all of the same debt limits, procedural requirements and any other limitations applicable to such bonds.

**OPERATING EXPENSE PER PUPIL**: The gross operating cost of a school district (excepting summer school, adult education, bond principal retired, and capital expenditures) divided by the average daily attendance for the regular school term. (See Appendix H for a sample district computation.)

**OPERATING TAX RATE**: All school district property taxes extended for all purposes, except community college educational purposes for the payment of tuition under Section 6-1 of the Public College Act (110 ILCS 805/6-1), Bond and Interest, Summer School, Rent, Capital Improvements, and Vocational Education Building purposes.

**PER CAPITA TUITION CHARGE**: The amount a local school district charges as tuition to nonresident students as defined by Sections 18-3 and 10-20.12a of the School Code. The per capita tuition charge is determined by totaling all expenses of a school district in its educational, operations and maintenance, bond and interest, transportation, Illinois Municipal Retirement/ Social Security, and rent funds for the preceding school year less expenditures not applicable to the regular K-12 program (such as adult education and summer school), less offsetting revenues from state sources except those from the Common School Fund, less offsetting revenues from federal sources except those from federal impaction aid, less revenues from student and community services, plus a depreciation allowance and dividing this amount by the average daily attendance for the year. The average daily attendance during the regular school term is adjusted by the average daily attendance of pupils tuitioned in and tuitioned out. (See Appendix H for a sample district computation.)

**PREVAILING WAGE RATE LAW**: A component of the Prevailing Wage Rate Law (820 ILCS 130/1 et seq) which concerns the basic rate of pay for certain occupations within a geographic area as determined by the Illinois Department of Labor. This wage rate information should be made available to bidders and be required as part of all bids relating to construction projects and any other projects required by law.

**PUBLIC BUILDING COMMISSION (PBC):** A municipal corporation from which local government taxing authorities lease facilities. The PBC is directed by these local governments to acquire land, contract for construction and issue revenue bonds for projects. Since the PBC has no statutory authority to levy taxes, it submits its annual budget to each local government that enters into lease agreements with the PBC. Annual payments on these leases are included in the local government's property tax extensions. House Bill 2132/Public Act 88-304 (effective January 1, 1994) prohibits school districts in counties of less than three million population (all except Cook) from using a Public Building Commission.

**QUADRENNIAL ASSESSMENT**: The general assessment year that occurs every four years when all property assessments are reviewed. (See TRIENNIAL ASSESSMENT.)

**REFUNDING BONDS**: Bonds sold to pay off other bond issues, other evidences of indebtedness, and the accrued interest on those bonds or other evidences of indebtedness.

**REGIONAL SUPERINTENDENT**: The chief school officer for the county or counties that comprise an educational service region. The regional superintendent exercises supervision and control over school districts and cooperatives within that region. There are 45 regional superintendents in Illinois.

**STATE AID FORMULAS**: The formulas legislated by the General Assembly for apportioning General State Aid and certain categorical aids.

**TAX ANTICIPATION NOTE**: An instrument of short-term indebtedness issued by a specific taxing body and representing a general obligation of the body. Notes may be issued in an amount (including principal, interest, and costs of note issuance) not to exceed 85 percent of the taxes levied. The notes may bear an interest rate not exceeding nine percent per annum or 125 percent of the rate for the most recent data shown in the 20 General Obligation (GO) Bonds Index of average municipal bond yields, as published in the most recent edition of *The Bond Buyer* at the time the contract is made for the sale. No notes may be issued during any fiscal year in which there are tax anticipation warrants outstanding against the tax levied for that fiscal year.

**TAX ANTICIPATION WARRANT**: An instrument of short-term indebtedness backed by the anticipation of specific tax revenues. Warrants are issued by a school district in anticipation of the collection of taxes and may be issued to the extent of 85 percent of the total amount of the tax levied. These warrants must be repaid upon receipt of tax monies by the district and may bear an interest rate not exceeding the greater of nine percent per annum or 125 percent of the rate for the most recent data shown in the 20 General Obligation (G.O.) Bonds Index of average municipal bond yields, as published in the most recent edition of *The Bond Buyer* at the time the contract is made for the sale.

**TAX CAPS**: An abbreviated way of referring to the tax increase limitations imposed by the Property Tax Extension Limitation Law, Public Act 87-17, effective October 1, 1991, as amended.

**TAX EFFORT**: The extent to which a local school district levies local taxes for schools.

**TAX INCREMENT FINANCING (TIF):** A property tax-related economic development incentive. A specifically defined district in need of special assistance is created by a local city, town or county. The total equalized assessed value (EAV) at the time of creation is measured and frozen. Bonds are floated to pay for public infrastructure costs or to help the developer through low-interest loans or lowered land prices. These long-term bonds are paid off from the additional property tax revenue generated by the property tax in the district above the amount of tax revenue generated from the frozen tax base.

**TAX RATE**: The amount of tax due stated in terms of a percentage of the tax base. Example: 2.76 percent of equalized assessed valuation is a representation of a tax rate of $2.76 per one hundred dollars of equalized assessed valuation of property.

**TAX-RATE LIMIT**: The tax-rate limit is the maximum tax rate that the county clerk may extend. Illinois law authorizes maximum tax rates without referendum, but districts may increase tax rates, within limits, subject to voter approval. A backdoor referendum provision exists; when the board proposes a tax rate increase and it is not opposed by the required number of electors within a stated time period, the board obtains the authority to increase the tax rate. A limited number of tax rates exist without a tax-rate limit.

**TEACHERS' ORDERS**: Teachers' payroll warrants issued by a school district, which may be cashed at a local bank. By agreement between the school district and the bank, the district will redeem the orders at some future date and pay the bank a stipulated rate of interest not exceeding the greater of nine percent per annum, or 125 percent of the rate for the most recent data shown in the 20 General Obligation (GO) Bonds Index of average municipal bond yields, as published in the most recent edition of *The Bond Buyer* at the time the contract is made for the sale.

**TOWNSHIP MULTIPLIER:** The equalization factor that is used by most counties other than Cook County to bring township property assessments in line with current sales prices for property in that township. For example, if a township has not been assessed for two years, the township multiplier would reflect the change in property values over those two years. A township multiplier of 1.1 would mean, on average, property tax values in this township have increased by 10 percent since the last time the property was assessed.

**TRIENNIAL ASSESSMENT:** In 1990, Cook County switched from a quadrennial to a triennial assessment system. Under the triennial system, property will normally be assessed once every three years. The valuation of individual properties will stay the same for the two years between reassessments. Exceptions to this occur when there have been changes in the property in the years between regular assessments (usually due to new construction or improvements to the property). In 1990, the southern Cook County suburbs were reassessed. In 1991, the entire City of Chicago was reassessed and in 1992, the northern Cook County suburbs were reassessed to round out the first triennial assessment cycle.

**TRUTH IN TAXATION ACT:** Legislation approved and effective July 29, 1981, that provides procedures for public notice and public hearings on tax increases greater than 105 percent of the prior year's extension.

# APPENDIX C

## General State Aid

House Bill 452 was passed by the General Assembly in a Special Session on December 2, 1997, and signed into law as Public Act 90-548 by Governor Edgar on December 4, 1997. Among other provisions, this Act provided the most significant changes to Illinois' General State Aid law in nearly twenty-five years. It repealed Section 18-8 of the School Code and replaced it with Section 18-8.05. The new formula is an outgrowth of the recommendations of the Governor's Commission on Education Funding (March 1996). The new state aid law includes changes not only to the General State Aid formula, but also provides a hold harmless provision and a separate General State Aid adjustment grant (more commonly known as the Double-Whammy grant) intended to replace, with state funds, local revenues lost by school districts subject to the Property Tax Extension Limitation Law.

### General State Aid Formula

The General State Aid Formula is basically a foundation approach with three separate calculations, depending on the amount of property wealth of the local school district. The first formula is referred to as the "Foundation" formula. Most districts receive General State Aid under this formula. Districts qualifying for this formula have available local resources per pupil less than 93% of the foundation level. The second formula is the "Alternate" formula. Districts qualifying for this formula have available local resources per pupil at least 93% but less than 175% of the foundation level. The third formula is the "Flat Grant" formula. Districts qualifying for this formula have available local resources per pupil at least 175% of the foundation level.

A significant provision of the General State Aid formula is the setting of foundation levels in statute and the guaranteed funding of those levels of support. Foundation levels of $4,225 in 1998-99; $4,325 in 1999-00 and $4,425 in 2000-01 are guaranteed with statutory language guaranteeing a continuing appropriation in case the actual appropriation is insufficient.

The best three months average daily attendance continues to be the measure of pupils. Only current-year available average daily attendance is used to calculate General State Aid. The formula calculation rates are 3.00% for unit districts, 2.30% for elementary districts and 1.20% for high school districts. These rates are used for formula calculation purposes only. There is no required tax rate for access to the formula. The Flat Grant in the formula is $218 per student.

The State Aid Formula has a mechanism to provide additional funding for the impact of poverty in the district. A separate calculation is used. A district must have at least 20% of its students designated as low income in order to qualify for any additional funding. In 1998-99, districts with at least 20% but less than 35% low-income concentration receive $800 for each low-income student. Districts with at least 35% but less than 50% low-income concentration receive $1,100 for each low-income student. Districts with at least 50% but less than 60% low-income concentration receive $1,500 for each low-income student. Districts with at least a 60% low-income concentration receive $1,900 for each low-income student. These dollar amounts will change to $800, $1,200, $1,600 and $2,000 in 1999-00 and $800, $1,230, $1,640 and $2,050 in 2000-01.

## Calculation of Available Local Resources and Local Percentage

$$\text{Available Local Resources} = (\text{Real EAV} \times \text{RATE} + \text{CPPRT})/\text{ADA}$$

$$\text{Local Percentage} = \left(\frac{\text{Available Local Resources}}{\text{FLEVEL}}\right) \times 100$$

Where

RATE = 2.30% if Elementary
1.20% if High School
3.00% if Unit

Real EAV = Adjusted Real Equalized Assessed Valuation

CPPRT = Corporate Personal Property Replacement Taxes

FLEVEL = Foundation Level

ADA = Prior Year Best 3 Months Average Daily Attendance

## Foundation Formula

General State Aid is calculated using the Foundation formula if the district Local Percentage is less than 93%.

The formula is:

$$\text{Foundation} = (\text{FLEVEL} \times \text{ADA}) - \text{Available Local Resources}$$

## Alternate Formula

General State Aid is calculated using the Alternate formula if the district Local Percentage is at least 93% but less than 175%.

This formula provides between 7% and 5% of the FLEVEL per ADA. The formula is:

$$\text{Alternate} = \text{FLEVEL} \times \text{ADA} \times \left[ .07 - \left( \frac{\text{Local Percentage} - .93}{.82} \right) \times (.02) \right]$$

## Flat Grant Formula

General State Aid is calculated using the Flat Grant if the district Local Percentage is at least 175%.

The formula is:

$$\text{Flat Grant} = \text{ADA} \times \$218$$

## Hold Harmless

A hold harmless provision is included in Section 18-8.05 (J) of the law. If, for any district in 1998-99, the formula yields less than the sum of the district 1997-98 General State Aid and 1997-98 Hold Harmless, a separately appropriated grant will be made to hold those districts harmless to the 1997-98 levels. Districts will be eligible to receive Hold Harmless grants in all subsequent years if the amount of General State Aid the district receives is below the 1997-98 levels described above. Funding for this hold harmless provision is guaranteed for three years through a continuing appropriation.

## General State Aid Adjustment Grant

A supplemental adjustment grant is also included in Section 18-8.05 (N) of the law. The intent of this separately appropriated grant is to replace lost local revenues of school districts subject to the Property Tax Extension Limitation Law. The first year of this grant will be 1999-00.

In order to qualify for this grant, a district must have its Preliminary Tax Rate, defined as the tax rate for all purposes except Bond and Interest purposes, that would have been used to extend taxes absent the provisions of the PTELL, reduced by the county clerk because of the Property Tax Extension Limitation Law. Foundation and Alternate formula districts must file a claim for this grant, accompanied by a statement from the county clerk certifying the above and including the district Extension Limitation Ratio. Flat Grant districts are not eligible for this supplemental adjustment grant.

If a district qualifies, the grant is determined by recalculating the district General State Aid using the preceding year's Equalized Assessed Valuation multiplied by the Extension Limitation Ratio. The difference in the original General State Aid calculation, and this recalculation determines the amount of the grant.

Appendix D provides a sample General State Aid entitlement claim form. Appendix E depicts the relationship between state aid per-student entitlements and district wealth for 1998-99.

Laboratory and Alternative Schools and Safe Schools. Laboratory schools operated by public universities and alternative schools operated by Regional Offices of Education and Educational Service Regions are also eligible for General State Aid. Since these schools have no property tax base, the GSA entitlements for such districts are calculated in a special manner. The GSA provided to a laboratory, alternative school or safe school is determined by multiplying the school's best three months average daily attendance for the prior school year by the foundation level ($4,225 for Fiscal Year 1999).

Collectively, Illinois State University's laboratory school, the University of Illinois laboratory school and 65 alternative/safe schools received total GSA funding of $13.96 million in Fiscal Year 1999.

State Funding Distributions. The 765 districts funded under the foundation computation constitute 79.4 percent of Illinois school districts and receive approximately 96.3 percent of the total GSA allocation. Foundation funded districts account for approximately 76.9 percent of the state ADA student total. The 152 Alternate method districts (15.8 percent of school districts) receive 3.2 percent of the GSA allocation and represent 19.6 percent of the state ADA student total. Flat Grant districts (47 in number and 4.9 percent of total districts) receive 0.5 percent of the GSA allocation and reflect 4.9 percent of the state ADA student total.

Of the 897 regular school districts allotted General State Aid, 408 (45.5%) are unit districts, 104 (11.6%) are secondary districts, and 385 (42.9%) are elementary districts. Unit districts received 75.3 percent of 1998-99 GSA funds, secondary districts received 4.9 percent of the funds, and elementary districts received 19.3 percent of the GSA funds.

In applying the General State Aid formula to the available appropriations in a given year, the State Board of Education takes into consideration certain financial adjustments. It is common for a district to have an audit adjustment to a prior year's GSA claim. (Audits to determine the accuracy of each district's GSA claim are conducted by staff of the State Board of Education.) Such audits result in either upward or downward adjustments to a district's current-year payments. In addition, some districts qualify in certain years for GSA adjustments as a result of changes in prior-year equalized assessed valuations due to adverse court decisions or Property Tax Appeal Board decisions (See Sections 2-3.33, 2-3.51 and 2-3.84 of the School Code). Generally, there is a net increase to the yearly aggregate GSA entitlement as a result of these prior-year adjustments.

**General State Aid Payment Schedule**

Section 18-11 of the School Code provides for semimonthly General State Aid payments to be made during the months of August through July. These semimonthly payments are in an amount equal to 1/24 of the total amount to be distributed. The School Code provides that General State Aid payments are to be made "as soon as may be after the 10th and 20th days of each of the months . . . ."

A provision in the State Finance Act authorizes the governor to notify the state treasurer and the state comptroller to "effect advance distribution to school districts of amounts that otherwise would be payable pursuant to Section 18-8.05 of the School Code." The governor has exercised this accelerated payment authority in the past several fiscal years. In Fiscal Years 1990, 1991 and 1994, both September payments were advanced and paid at the same time the second payment of August was made. In Fiscal Years 1992, 1993 and 1995, the September payments were made in August, but after the regular second payment was made. There was no advance distribution in Fiscal Years 1996 and 1997. However, in Fiscal Year 1998 there was one advance payment; two advance payments are scheduled for Fiscal Year 1999 (to be made in June 1999).

General State Aid payments, while designated for specific districts, are paid to Illinois' regional school superintendents. Regional superintendents in turn are obliged to distribute these payments, with any attributable interest income, to each district within their regions.

The State Comptroller's Office releases GSA warrants (payments) at about 2:00 p.m. on payment day. Regional superintendents from DuPage, Macon, and the St. Clair regions have representatives who pick up their warrants. Forty-one regional superintendents have he warrants deposited directly into the Illinois Public Treasurers' Investment Pool. Most of the remaining regional superintendents have designated Springfield bank personnel to pick up the warrants. Local Springfield bankers forward payments by wire the next working day to the local back designated by each regional superintendent. School district treasurers in Cook County receive their districts' GSA payments by wire transfer from the Comptroller's Office.

Typically, warrants (payments) are available on the 11th and 21st days of the month, or on the following working day if the payment date falls on a weekend or a holiday.

**Attendance, Calendar and Special Requirements for General State Aid**

Recognition. General State Aid is distributed to Illinois school districts that maintain "recognized district" status. Recognized district status is achieved pursuant to the periodic reviews of a district by staff of the Illinois State Board of Education. Recognition activities are designed to assure that districts comply with the required standards of state law. Any school district that fails to meet the standards established for recognition by the state superintendent of education for a given year is ineligible to file a claim upon the Common School Fund for the subsequent school year. In case of nonrecognition of one or more attendance centers in a school district otherwise operating recognized schools, the entitlement of the district is to be reduced in the proportion that the average daily attendance (ADA) in the nonrecognized attendance center, or centers, bears to the ADA in the school district.

Plan Requirements. In addition to the general requirement of maintaining recognition, school districts must also adhere to a variety of other legislated standards in order to receive state financial support. Several of these are enumerated in the sections which follow.

The General State Aid law requires all school districts, except Chicago, with more than 1,000 and less than 50,000 pupils in average daily attendance (ADA), to submit an annual plan to the State Board of Education describing the use of the state funds generated as a result of that district's low-income pupils. This plan is intended to provide for the improvement of instruction with a priority of meeting the needs of educationally disadvantaged children. These plans are submitted in accordance with rules and regulations promulgated by the State Board of Education.

The state's largest district, Chicago District 299, is also required to provide planning information for its services to low-income students. Unlike other districts, however, District 299 must distribute at least $261 million on a formula basis. This statutory requirement provides that a major segment of these funds be distributed to the attendance centers within District 299 in proportion to the number of pupils enrolled in the attendance centers who are eligible to receive free or reduced-price lunches or breakfasts under the Federal Child Nutrition Act. Chicago must submit an annual plan to ISBE that depicts this distribution of funds and discusses the services available as a result of this funding.

School Calendar. Public schools in Illinois are required to adopt a calendar that provides for 185 school days, including at least 180 days of pupil attendance. Up to four days of the 180 days of actual pupil attendance may be utilized for scheduled teacher institutes and inservice training. (Chicago School District 299 operated seven elementary schools on a full-year basis during the 1992-93 school year, 11 elementary schools on a full-year basis during 1993-94, 12 elementary schools on a full-year basis during 1994-95, 15 elementary schools on a full-year basis during 1995-96, 14 elementary schools on a full-year basis during 1996-97, and 15 elementary schools on a full-year basis during 1997-98.)

Teacher institutes are approved for each district by the respective regional superintendent of schools. Equivalent professional educational experiences such as visitations to educational facilities are allowable as approved training.

Under certain conditions teacher inservice training and parent-teacher conferences may be provided in partial-day increments. Section 18-8.05 provides specific guidance concerning the computation of pupil attendance for state aid purposes for such partial-day attendance.

Section 24-2 of the School Code provides for a number of legal school holidays. Teachers may not be required to teach on national holidays or the state school holidays: Columbus Day, Veterans' Day, and the days which honor the births of Abraham Lincoln, Martin Luther King, Jr. and Casimir Pulaski. Because of a recent court decision, the state cannot mandate Good Friday as a state holiday; individual school districts may recognize Good Friday as a holiday.

The 185-day calendar adopted by a district is intended to allow for up to five emergency closure days during the school year.

School districts which fail to operate schools for the required number of pupil attendance days may be subject to the loss of General State Aid. The financial loss is calculated on the basis of a daily penalty of .56818 percent (1 divided by 176) for each day of required operation not met.

Under certain circumstances, a district may not be penalized for failure to provide the required school calendar. These circumstances and the required waivers and approvals are described in the paragraphs which follow.

Act-of-God Days. When a school district is unable to conduct school as a result of an Act of God, a district may be granted an attendance waiver. Section 18-12 of the School Code allows the state superintendent of education to waive the .56818 percent daily penalty due to a district's failure to conduct school for the minimum school term. The State Board of Education's Center for School Financial Services, Division of Funding and Disbursement Services is responsible for reviewing a district's waiver request.

Hazardous Threat or Adverse Weather. State law contains provisions that allow districts to reduce the length of a school day or to cancel classes altogether if pupil health and safety are threatened by conditions beyond school district control or if adverse weather occurs after the start of school.

For adverse weather conditions, the reasons for closing are to be certified in writing by the district superintendent and sent to the respective regional superintendent of schools. The regional superintendent forwards the certification to the state superintendent for approval.

A similar process applies to days of school not begun as a result of a health or safety consideration. When approved, "hazardous threat" days are not considered student attendance days but do provide an exemption from reduction in state aid. The state superintendent may approve these exemptions to the minimum term only when the school district has first used all emergency days contained in the district's regular school calendar.

Energy Shortage. When the state superintendent of education declares that an energy shortage exists during any part of the school year for the state or a designated portion of the state, a district may operate the attendance centers in the district four days a week during the shortage. When such a declaration is made, a district's GSA entitlement is not reduced, provided the district extends each school day by one clock hour of school work. State law provides that district employees are not to suffer any reduction in salary or benefits as a result of this declaration. A district may operate all attendance centers on this revised schedule or may apply the schedule to selected attendance centers.

Pupil Attendance. Section 18-8.05 of the School Code provides that a day of pupil attendance is to include not less than five clock hours of teacher-supervised instruction. Additional provisions apply to a district's calculation of pupil attendance for part-time school enrollment, services to handicapped or hospitalized students, tuition-related services, dual-attendance nonpublic school children, and other special circumstances.

Resident pupils enrolled in nonpublic schools may be enrolled concurrently in public schools on a shared-time or dual-enrollment plan and may be included as claimable pupils by public school districts. Dual-enrolled pupils are counted as one-sixth of day for each class period of instruction of 40 minutes or more in attendance in a public school district.

Exceptional children attending approved private institutions, either in or outside Illinois, may be included as claimable pupils on the basis of days attended if the district pays the tuition costs. Local school boards may send eligible children to an out-of-state public school district and claim them for General State Aid. Pupils are nonclaimable for General State Aid if the district is claiming full reimbursement of tuition costs under another state or federally funded program or is receiving tuition payments from another district or from the parents or guardians of the child.

For handicapped children below the age of six years who cannot attend two or more clock hours because of handicap or immaturity, a session of not less than one clock hour may be counted as one-half day of attendance. Handicapped pupils less than six years of age may be claimed for General State Aid for a full day, provided the child's educational needs require, and the student receives, four or more clock hours of instruction.

Section 10-22.5a of the School Code allows foreign-exchange students and/or nonresident pupils of eleemosynary (charitable) institutions attending a public school district on a tuition-free basis to be claimed for General State Aid purposes. A cultural exchange organization or charitable institution desiring to negotiate a tuition-free agreement with a public school district must obtain written approval from the Illinois State Board of Education.

A session of not less than one clock hour of instruction for hospitalized or homebound pupils on the site or by telephone to the classroom may be counted as one-half day of attendance. These pupils must receive four or more clock hours of instruction to be counted for a full day of attendance. If the attending physician for such a child has certified that the child should not receive as many as five hours of instruction in a school week, reimbursement is computed proportionately to the actual hours of instruction.

Public Health Requirements. Illinois law requires every school district to report to the Illinois State Board of Education by October 15 of each year the number of children who have received, the number who have not received, and the number exempted from necessary immunizations and health examinations. If less than 90 percent of those enrolled in a district on October 15 have had the necessary immunizations or health examinations, ten percent of each subsequent General State Aid payment is withheld by the regional superintendent. Withholding continues until the district is in compliance with the 90 percent requirement.

State law also provides that a child is to be excluded from school for noncompliance with rules and regulations promulgated by the Illinois Department of Public Health for health examinations and immunizations. Under such circumstances the child's parent or legal guardian is considered in violation of the compulsory attendance law (Section 26-1). These parents or legal guardians are subject to any penalty imposed under Section 26-10.

Extended-Day Programs. School districts may develop and maintain before-school and after-school programs for students in kindergarten through the sixth grade. The programs may include time for homework, physical exercise, afternoon nutritional snacks and education offerings which are in addition to those offered during the regular school day. Extended-day programs in a district are to be under the supervision of a certified teacher or a person who meets the requirements for supervising a day care center under the Illinois Child Care Act. Additional employees who are not so qualified may also be employed for such programs.

The schedule of these programs may follow the work calendar of the local community, rather than the regular school calendar. Parents or guardians of the participating students are responsible for providing transportation for the students to and from the programs. The school board may charge parents of participating students a fee that doesn't exceed the actual costs of the before- and after-school programs. Attendance at extended-day programs is not included in the calculation of attendance for General State Aid purposes.

# APPENDIX D

CODE 09-010-0040-26
REGION CHAMPAIGN-FORD ROE
DISTRICT NAME CHAMPAIGN COMM UNIT SCH DIST 4

ILLINOIS STATE BOARD OF EDUCATION
Division of Funding and Disbursement Services
100 North First Street
Springfield, Illinois 62777-0001

## GENERAL STATE AID CLAIM FOR 1997-1998 PAYABLE IN 1998-1999

| | CALENDAR | | DAYS OF ATTENDANCE | | | | |
|---|---|---|---|---|---|---|---|
| | BEGIN Mo. - Day (1) | END Mo. - Day (2) | CLAIMABLE DAYS OF ATTENDANCE (3) | NONCLAIMABLE DAYS OF ATTENDANCE (4) | DAYS SCHOOL WAS IN SESSION (5) | CLAIMABLE ADA COL.3 / COL.5 (6) | NONCLAIMABLE ADA COL. 4 / COL. 5 (7) |
| 1. | 8-29 | 9-30 | 202,667.5 | 2,157.0 | 23 | 8,811.63 | 93.78 |
| 2. | 10-1 | 10-31 | 179,496.0 | 2,267.0 | 22 | 8,158.90 | 103.04 |
| 3. | 11-1 | 11-30 | 133,003.5 | 1,747.0 | 16 | 8,312.71 | 109.18 |
| 4. | 12-1 | 12-31 | 124,317.5 | 1,631.5 | 15 | 8,287.83 | 108.76 |
| 5. | 1-1 | 1-31 | 154,038.5 | 1,978.0 | 19 | 8,107.28 | 104.10 |
| 6. | 2-1 | 2-28 | 139,875.0 | 1,989.5 | 17 | 8,227.94 | 117.02 |
| 7. | 3-1 | 3-31 | 168,352.5 | 2,372.5 | 21 | 8,016.78 | 112.97 |
| 8. | 4-1 | 4-30 | 129,397.5 | 1,915.5 | 16 | 8,087.34 | 119.71 |
| | 5-1 | 6-05 | 201,068.0 | 2,754.5 | 25 | 8,042.72 | 110.18 |
| 10. | TOTALS | | 1,432,216.0 | 18,812.5 | 174 | 8,231.12 | 108.11 |
| 11. | ADA of resident pupils for whom tuition is paid to another local education agency included above on Line 10, Column 6 | | | | | | 34.18 |

### ATTENDANCE DATA

| | |
|---|---|
| 12. 9 Months ADA for Per Capita Comp. (Line 10, Col. 6 minus Line 11 plus Line 10, Col. 7) | 8,305.05 |
| 13. Districts Best 3 Months ADA | 8,518.30 |

### SCHOOL CALENDAR DATA

| | |
|---|---|
| 14. Days School Was in Session (Line 10, Col. 5) | 174 |
| 15. Approved Institute Days (Not to exceed four) | 4 |
| 16. Approved Parent-Teacher Conference Day(s) (Not to exceed two) | 2 |
| 17. Approved Act of God Day(s) | 0 |
| 18. Waiver Approved | 0 |
| Total Days (Sum of Lines 14, 15, 16, 17 and 18) | 180 |

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# APPENDIX D (cont'd)

CODE 09-010-0040-26

REGION CHAMPAIGN-FORD ROE

DISTRICT NAME CHAMPAIGN COMM UNIT SCH DIST 4

ILLINOIS STATE BOARD OF EDUCATION
Division of Funding and Disbursement Services
100 North First Street
Springfield, Illinois 62777-0001

## ATTACHMENT A WORKSHEET GENERAL STATE AID CLAIM FOR 1997-1998 PAYABLE IN 1998-1999

SUPPORTING DATA

| | CALENDAR | | CLAIMABLE DAYS OF ATTENDANCE | | | |
|---|---|---|---|---|---|---|
| | BEGIN Mo. - Day (1) | END Mo. - Day (2) | PRE-K - 6 (3) | 7 - 8 (4) | 9 - 12 (5) | TOTALS (6) |
| 1 | 8-29 | 10-1 | 116,320.0 | 28,185.5 | 58,162.0 | 202,667.5 |
| 2 | 10-1 | 10-31 | 97,664.5 | 27,013.5 | 54,818.0 | 179,496.0 |
| 3 | 11-1 | 11-30 | 74,614.5 | 19,318.5 | 39,070.5 | 133,003.5 |
| 4 | 12-1 | 12-31 | 69,563.0 | 18,193.0 | 36,561.5 | 124,317.5 |
| 5 | 1-1 | 1-31 | 85,684.5 | 22,461.0 | 45,893.0 | 154,038.5 |
| 6 | 2-1 | 2-28 | 78,710.5 | 20,556.0 | 40,608.5 | 139,875.0 |
| | 3-1 | 3-31 | 93,772.5 | 25,306.0 | 49,274.0 | 168,352.5 |
| 8 | 4-1 | 4-30 | 73,089.0 | 19,355.0 | 36,953.5 | 129,397.5 |
| 9 | 5-1 | 6-05 | 115,984.5 | 29,608.5 | 55,475.0 | 201,068.0 |
| 10 | TOTALS | | 805,403.0 | 209,997.0 | 416,816.0 | 1,432,216.0 |

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ISBE 54-33 A (1/98) ILLINOIS STATE BOARD OF EDUCATION

# APPENDIX D (cont'd)

CODE 09-010-0040-26
REGION CHAMPAIGN-FORD ROE
DISTRICT NAME CHAMPAIGN COMM UNIT SCH DIST 4

ILLINOIS STATE BOARD OF EDUCATION
Division of Funding and Disbursement Services
100 North First Street
Springfield, Illinois 62777-0001

## GENERAL STATE AID CLAIM FOR 1997-1998 PAYABLE IN 1998-1999

### PART I - COMPUTATIONAL DATA

| | | | |
|---|---|---|---|
| A | 1996 Original Equalized Assessed Valuation (EAV) | $857 235 798 | |
| B | Adverse Court Cases | | |
| C | Enterprise Zone Abatements | | |
| D | New Industry Abatements | | |
| E | Property Tax Appeal Board Decisions | -610 105 | |
| 1 | 1996 Adjusted Real Property Equalized Assessed Valuation (EAV) | | $856 625 693 |
| 2 | 1997-1998 Best Three Months Average Daily Attendance (ADA) | | 8,518 30 |
| 3 | 1995 Corporate Personal Property Replacement Tax (CPPRT)(received in 1996) | | $1,744 948 45 |
| 4 | Calculation Rate | | 030 |
| 5 | 1990 Census Low Income Count | | 1 220 |
| 6 | District Low Income Concentration (Line 5 divided by Line 2) | | 1432 |
| 7 | Available Local Resources (Line 1 X Line 4 + Line 3) | | $27 443 719 24 |
| 8 | Local Resources Per Pupil (Line 7 divided by Line 2) | | $3,221 73 |
| 9 | Percentage of $4 225 (Line 8 divided by $4 225) | | 7625 |

### PART II - FOUNDATION FORMULA CALCULATIONS (Line 9 is less than 93)

| | | |
|---|---|---|
| 1 | $4 225 X ADA (Part I, Line 2) | $35 989 817 50 |
| 2 | Available Local Resources (Part I, Line 7) | -27 443 719 24 |
| 3 | Foundation Formula Claim Amount (Line 1 - Line 2) | $8 546 098 26 |

### PART III- POVERTY GRANT CALCULATIONS

| Low Income Concentration | Poverty Grant Guarantee |
|---|---|
| less than 20 | $ 0 |
| greater than or equal to 20 but less than 35 | $ 800 |
| greater than or equal to 35 but less than 50 | $ 1 100 |
| greater than or equal to 50 but less than 60 | $ 1 500 |
| greater than or equal 60 | $ 1 900 |

| | | | |
|---|---|---|---|
| 1 | District Low Income Concentration | 1432 | |
| 2 | Poverty Grant Guarantee | $0 00 | |
| 3 | Poverty Grant (Line 2 X Low Income Count (Part I Line 5)) | | $0 00 |

### PART IV - SUMMARY OF 1997-1998 CLAIM PAYABLE IN 1998-1999

| | | | |
|---|---|---|---|
| 1 | Gross Entitlement (Poverty Grant + Formula Claim Amount) | | $8,546 098 26 |
| | Adjustments | | |
| | Code 3 - Adjustment of a field audit finding on a previous claim | $-180 188 69 | |
| | Code 8 - Adjustment due to property tax appeal board decision | 16 021 83 | |
| | FY97-98 Hold Harmless Overpayment | -120 704 35 | |
| 2 | Total Adjustments | | -284 871 21 |
| 3 | Net Entitlement (Gross Entitlement - Total Adjustments) | | $8 261 227 05 |

ISBE 54-33 B (8/98) ILLINOIS STATE BOARD OF EDUCATION

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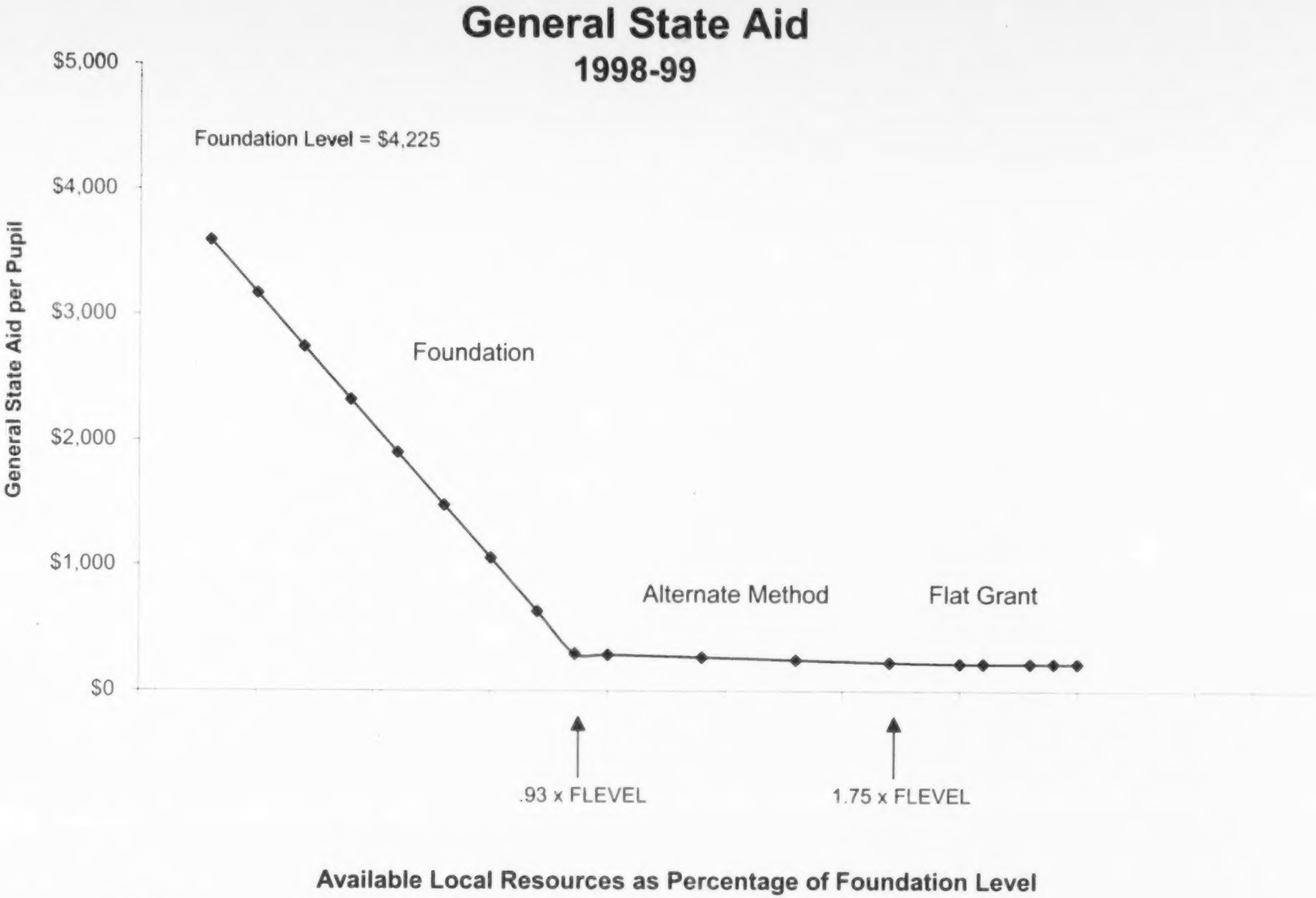
APPENDIX E


General State Aid
1998-99
Foundation Level = $4,225
$5,000
$4,000
$3,000
$2,000
$1,000
$0
General State Aid per Pupil
Foundation
Alternate Method
Flat Grant
.93 x FLEVEL
1.75 x FLEVEL
Available Local Resources as Percentage of Foundation Level

# APPENDIX F

## FINANCIAL DATA TO ASSIST INDIRECT COST RATE DETERMINATION

**THIS PAGE MUST BE COMPLETED**

The source document for this computation is the Illinois State Board of Education Form 50-35, Illinois School District Annual Financial Report.

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### INSTRUCTIONS FOR COMPLETING FINANCIAL DATA INDIRECT COST RATE DETERMINATION

Indirect cost rates are computed from information provided within the body of the Annual Financial Report. However, it is necessary that certain expenditure accounts be further subdivided to identify Federal program activities.

Enter the disbursements/expenditures included within each function account that were charged to and reimbursed from any Federal grant program. Also include all amounts paid to or for other employees within each function account that work with Federal grant programs in the same capacity as those charged to and reimbursed from Federal grant programs. For example, if a district received funding from IASA Title I, for a program director, the salaries of all other Federal grant program directors included in that function account must be included. Also include any benefits and/or purchased services paid on or to persons whose salaries are classified as direct costs in the function accounts that are listed.

**EXCEPTION:**

Enter the cost of food included within Function (1-2560) Accounts regardless of the funding source(s) since this cost must be excluded in the rate computation.

**DO NOT LEAVE ANY SPACES BLANK. Enter a zero on all lines where no costs are charged.**

**Section 1 Restricted Programs ***

This section is applicable to Federal programs which restrict expenditures to those which "supplement but do not supplant" State or local effort. Some examples of restricted programs are IASA, Titles I and II, Individuals with Disabilities Education Act (IDEA).

A. Support Services - Direct Costs (1-2000) and (5-2000)

1. Direction of Business Support Services (1-2510) and (5-2510) $ ______ [2793]
*Enter the cost included within the Function (1-2510) and (5-2510) Accounts, Direction of Business Support Services, charged directly to and reimbursed from Federal grant programs.*

2. Fiscal Services (1-2520) and (5-2520) $ ______ [2794]
*Enter the cost included within the Function (1-2520) and (5-2520) Accounts, Fiscal Services, charged directly to and reimbursed from Federal grant programs.*

3. Food Services (1-2560) and (5-2560) $ ______ [3669]
*Enter the cost of food included within the Function (1-2560) Accounts, Food Services.*

4. Internal Services (1-2570) and (5-2570) $ ______ [2795]
*Enter the cost included within the Function (1-2570) and (5-2570) Accounts, Internal Services charged directly to and reimbursed from Federal grant programs.*

5. Staff Services (1-2640) and (5-2640) $ ______ [2797]
*Enter the cost included within the Function (1-2640) and (5-2640) Accounts, Staff Services charged directly to and reimbursed from Federal grant programs.*

6. Data Processing Services (1-2660) and (5-2660) $ ______ [2799]
*Enter the cost included within the Function (1-2660) and (5-2660) Accounts, Data Processing Services, charged directly to and reimbursed from Federal grant programs.*

**Section 2 Unrestricted Programs***

This section is applicable to Federal programs whose funds may be used either to supplement, and/or supplant local funds.

B. Support Services - Direct Costs (1, 2, and 5-2000)

7. Operation and Maintenance of Plant Services (1, 2, and 5-2540) $ ______ [2801]
*Enter the cost included within the Function (1-2540), (2-2540), and (5-2540) Accounts, Operation Maintenance and Plant Services, charged directly to and reimbursed from Federal grant programs.*

*** ALL CAPITAL OUTLAY MUST BE EXCLUDED**

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FR97400 DATE 07/01/98

ILLINOIS STATE BOARD OF EDUCATION
JOSEPH A. SPAGNOLO, STATE SUPERINTENDENT

## ANNUAL FINANCIAL REPORT
(ISBE 50-35)

## INDIRECT COST RATE FOR FEDERAL PROGRAMS
APPLICABLE FOR THE FISCAL 99 PROGRAM YEAR

CODE 09010004026
COUNTY CHAMPAIGN
DIST. CHAMPAIGN COMMUNITY

|  |  | RESTRICTED PROGRAM |  | UNRESTRICTED PROGRAM |  |  |
|---|---|---|---|---|---|---|
|  |  | A | B | C | D | E |
|  | FUNCTION | INDIRECT COSTS | DIRECT COSTS | INDIRECT COSTS | DIRECT COSTS | TOTAL COSTS |
| INSTRUCTION | 100 |  | 30,333,676 |  | 30,333,676 | 30,333,676 |
| SUPPORT SERVICES | 200 |  |  |  |  |  |
| PUPILS | 210 |  | 1,873,843 |  | 1,873,843 | 1,873,843 |
| INSTRUCTIONAL STAFF | 220 |  | 2,128,017 |  | 2,128,017 | 2,128,017 |
| GENERAL ADMINISTRATION | 230 |  | 958,951 |  | 958,951 | 958,951 |
| SCHOOL ADMINISTRATION | 240 |  | 2,995,796 |  | 2,995,796 | 2,995,796 |
| BUSINESS | 250 |  |  |  |  |  |
| DIRECTION OF BUSINESS SPT. SRV. | 251 | 342,769 |  | 342,769 |  | 342,769 |
| FISCAL SERVICES | 252 | 215,709 |  | 215,709 |  | 215,709 |
| OPER. & MAINT. PLANT SERVICES | 254 |  | 5,029,429 | 5,029,429 |  | 5,029,429 |
| PUPIL TRANSPORTATION | 255 |  | 1,260,777 |  | 1,260,777 | 1,260,777 |
| FOOD SERVICES | 256 |  | 775,694 |  | 775,694 | 775,694 |
| INTERNAL SERVICES | 257 | 237,023 |  | 237,023 |  | 237,023 |
| CENTRAL | 260 |  |  |  |  |  |
| DIRECTION OF CENTRAL SPT. SRV. | 261 |  |  |  |  |  |
| PLAN, RSRCH, DVLP, EVAL. SRV. | 262 |  | 106,832 |  | 106,832 | 106,832 |
| INFORMATION SERVICES | 263 |  | 50,636 |  | 50,636 | 50,636 |
| STAFF SERVICES | 264 | 274,742 |  | 274,742 |  | 274,742 |
| DATA PROCESSING SERVICES | 266 | 378,139 |  | 378,139 |  | 378,139 |
| OTHER | 290 |  | 931,615 |  | 931,615 | 931,615 |
| COMMUNITY SERVICES | 300 |  | 296,124 |  | 296,124 | 296,124 |
| TOTAL |  | 1,448,382 | 46,741,390 | 6,477,811 | 41,711,961 | 48,189,772 |

RESTRICTED RATE

COL. A = 1,448,382
COL. B = 46,741,390 = 3.09%

UNRESTRICTED RATE

COL. C = 6,477,811
COL. D = 41,711,961 = 15.52%

APPENDIX G

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## ESTIMATED OPERATING EXPENDITURES PER PUPIL AND PER CAPITA TUITION CHARGE COMPUTATIONS

---

### A. TOTAL EXPENDITURES

| FUND | PAGE | LINE | COLUMN | | |
|---|---|---|---|---|---|
| 1. ED | 44 | 65 | 9 | TOTAL EXPENDITURES | $ ______ |
| 2. O&M | 46 | 28 | 9 | TOTAL EXPENDITURES | ______ |
| 3. B&I | 47 | 14 | 9 | TOTAL EXPENDITURES | ______ |
| 4. TR | 49 | 24 | 9 | TOTAL EXPENDITURES | ______ |
| 5. MR/SS | 53 | 57 | 9 | TOTAL EXPENDITURES | ______ |
| 6. RENT | 55 | 5 | 9 | TOTAL EXPENDITURES | ______ |
| 7. TOTAL (LINES 1 THROUGH 6) | | | | | $ ______ |

### B. LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM

| | | | | | |
|---|---|---|---|---|---|
| 8. TR | 11 | 32 | 4 | REG. TRANS. FEES FROM OTHER LEAs | $ ______ |
| 9. TR | 11 | 35,36,37 | 4 | SUMMER SCHOOL TRANSPORTATION FEES | ______ |
| 10. TR | 13 | 39 | 4 | VOC. EDUC. TRANS. FEES FROM OTHER LEAs | ______ |
| 11. TR | 13 | 42 | 4 | SPEC. EDUC. TRANS. FEES FROM OTHER LEAs | ______ |
| 12. TR | 13 | 44,45,46 | 4 | ADULT/CONTINUING EDUC. TRANS. FEES | ______ |
| 13. O&M | 23 | 141 | 2 | TOTAL ADULT EDUCATION | ______ |
| 14. ED | 23 | 152 | 1 | ADMINISTRATORS ACADEMY | ______ |
| 15. ED-O&M-TR-MR/SS | 25-26 | 162 | 1,2,4,5 | TOTAL EARLY CHILDHOOD | ______ |
| 16. ED-O&M-TR | 27 | 183 | 1,2,4 | ILLINOIS SCHOLARS PROGRAM | ______ |
| 17. ED-O&M-TR | 27 | 184 | 1,2,4 | ILLINOIS GOVERNMENT STUDENT INTERN | ______ |
| 18. ED-O&M-TR | 27 | 186 | 1,2,4 | ILLINOIS OCCUPATIONAL INFO. COORD. COMM | ______ |
| 19. ED | 29 | 205 | 1 | HEAD START | ______ |
| 20. ED-O&M-TR-MR/SS | 35-36 | 257 - 260 | 1,2,4,5 | FED. SPEC. ED. (Non K-12) | ______ |
| 21. O&M | 37 | 294 | 2 | TOTAL FED. ADULT EDUCATION | ______ |
| 22. ED | 41 | 4 | 1,2,3,4,6 | ADULT/CONTINUING EDUCATION | ______ |
| 23. ED | 41 | 7 | 1,2,3,4,6 | SUMMER SCHOOL | ______ |
| 24. ED | 43 | 63 | 1,2,3,4,6 | COMMUNITY SERVICES | ______ |
| 25. ED | 44 | 54 | 3,6 | NONPROGRAMMED CHARGES | ______ |
| 26. ED | 44 | 62 | 6 | LEASE/PURCHASES PRINCIPAL RETIRED | ______ |
| 27. ED | 44 | 65 | 5 | TOTAL EXP. - CAPITAL OUTLAY | ______ |
| 28. ED | 44 | 65 | 7 | TOTAL EXP. - TRANSFERS | ______ |
| 29. ED | 44 | 65 | 8 | TOTAL EXP. - TUITION | ______ |
| 30. O&M | 45 | 10 | 1,2,3,4,6 | COMMUNITY SERVICES | ______ |
| 31. O&M | 46 | 16 | 9 | TOTAL NONPROGRAMMED CHARGES | ______ |
| 32. O&M | 46 | 23 | 6 | LEASE/PURCHASES PRINCIPAL RETIRED | ______ |
| 33. O&M | 46 | 28 | 5 | TOTAL EXP. - CAPITAL OUTLAY | ______ |
| 34. B&I | 47 | 10 | 9 | BOND PRINCIPAL RETIRED | ______ |
| 35. B&I | 47 | 14 | 7 | TOTAL EXP. - TRANSFERS | ______ |
| 36. TR | 48 | 5 | 1,2,3,4,6 | COMMUNITY SERVICES | ______ |
| 37. TR | 48 | 14 | 9 | TOTAL NONPROGRAMMED CHARGES | ______ |
| 38. TR | 49 | 21 | 6 | LEASE/PURCHASES PRINCIPAL RETIRED | ______ |
| 39. TR | 49 | 24 | 5 | TOTAL CAPITAL OUTLAY | ______ |
| 40. MR/SS | 50 | 4 | 2 | ADULT CONTINUING EDUCATION PROGRAMS | ______ |
| 41. MR/SS | 50 | 7 | 2 | SUMMER SCHOOL PROGRAMS | ______ |
| 42. MR/SS | 53 | 46 | 2 | COMMUNITY SERVICES | ______ |
| 43. MR/SS | 53 | 49 | 2 | TOTAL NONPROGRAMMED CHARGES | ______ |

44. TOTAL DEDUCTIONS (Lines 8 through 43) ______

45. OPERATING EXPENSE REGULAR K-12 (Line 7 minus Line 44) $ ______

46. AVERAGE DAILY ATTENDANCE (See the General State Aid Claim for 1996-97 (ISBE 50-11) Line 24) ______

47. OPERATING EXPENSE PER PUPIL (Line 45 divided by Line 46) ______

$ ______

*(Continued on adjacent page)*

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# ESTIMATED OPERATING EXPENDITURES PER PUPIL AND PER CAPITA TUITION CHARGE COMPUTATIONS

C. LESS OFFSETTING RECEIPTS/REVENUES:

| | FUND | PAGE | LINE | COLUMN | | |
|---|---|---|---|---|---|---|
| 48 | TR | 11 | 31 | 4 | REG TRANS FEES FROM PUPILS OR PARENTS | $ |
| 49 | TR | 11 | 33 | 4 | REG TRANS FEES FROM PRIVATE SOURCES | |
| 50 | TR | 11 | 34 | 4 | REG TRANS FEES-CO-CURRICULAR | |
| 51 | TR | 13 | 38 | 4 | VOC TRANS FEES FROM PUPILS OR PARENTS | |
| 52 | TR | 13 | 40 | 4 | VOC TRANS FEES FROM OTHER SOURCES | |
| 53 | TR | 13 | 41 | 4 | SPEC EDUC TRANS FEES FROM PUPILS OR PARENTS | |
| 54 | TR | 13 | 43 | 4 | SPEC EDUC TRANS FEES FROM OTHER SOURCES | |
| 55 | ED | 15 | 57 | 1 | TOTAL FOOD SERVICES | |
| 56 | ED-O&M | 15 | 63 | 1,2 | TOTAL PUPIL ACTIVITIES | |
| 57 | ED | 15 | 73 | 1 | TEXTBOOKS | |
| 58 | ED-O&M | 17 | 74 | 1,2 | RENTALS | |
| 59 | ED-O&M-TR | 17 | 76 | 1,2,4 | SERVICES PROVIDED OTHER LEAs | |
| 60 | ED-O&M | 17 | 78 | 1,2 | PAYMENTS FROM OTHER LEA'S | |
| 61 | ED | 17 | 80 | 1 | LOCAL FEES | |
| 62 | ED-O&M-TR | 19 | 106 | 1,2,4 | TOTAL SPECIAL EDUCATION | |
| 63 | ED-O&M-TR-MR/SS | 21-22 | 127 | 1,2,4,5 | VOCATIONAL EDUCATION | |
| 64 | ED-MR/SS | 21-22 | 131 | 1,5 | BILINGUAL EDUCATION | |
| 65 | ED-TR | 21 | 132 | 1,4 | GIFTED EDUCATION | |
| 66 | ED | 21 | 133 | 1 | STATE FREE LUNCH & BREAKFAST | |
| 67 | ED-O&M | 23 | 134 | 1,2 | DRIVER EDUCATION | |
| 68 | ED | 23 | 135 | 1 | JUMP START | |
| 69 | ED-O&M-TR | 23 | 146 | 1,2,4 | TOTAL TRANSPORTATION | |
| 70 | ED | 23 | 150 | 1 | TOTAL SCHOOL IMPROVEMENT | |
| 71. | ED-O&M-TR-MR/SS | 23-24 | 151 | 1,2,4,5 | SCHOOL IMPROVEMENT BLOCK GRANT | |
| 72 | ED-O&M-TR-MR/SS | 23-24 | 153 | 1,2,4,5 | SCIENTIFIC LITERACY | |
| 73 | ED-O&M-TR-MR/SS | 23-24 | 154 | 1,2,4,5 | STATE DRUG EDUCATION INITIATIVE | |
| 74 | ED-O&M-TR-MR/SS | 23-24 | 155 | 1,2,4,5 | STATE URBAN EDUCATION PARTNERSHIP | |
| 75 | ED-TR-MR/SS | 25-26 | 156 | 1,4,5 | HISPANIC STUDENT DROPOUT | |
| 76 | ED-TR-MR/SS | 25-26 | 157 | 1,4,5 | TRUANTS ALTERNATIVE/OPTIONAL EDUCATION | |
| 77 | ED-TR-MR/SS | 25-26 | 158 | 1,4,5 | ALTERNATIVE EDUCATION | |
| 78 | ED-O&M-TR-MR/SS | 25-26 | 166 | 1,2,4,5 | TOTAL K-6 | |
| 79 | ED | 25 | 167 | 1 | REPORT CARDS | |
| 80 | ED-O&M-TR | 25 | 168 | 1,2,4 | CRIMINAL BACKGROUND INVESTIGATION | |
| 81 | ED-O&M-TR | 25 | 169 | 1,2,4 | BUILD ILLINOIS - MATH & SCIENCE | |
| 82 | ED-O&M-TR-MR/SS | 25-26 | 170 | 1,2,4,5 | ADA SAFETY AND EDUCATIONAL BLOCK (FLAT GRANT) | |
| 83 | ED-O&M-TR | 25 | 171 | 1,2,4 | TECHNOLOGY FOR SCHOOLS | |
| 84 | ED-O&M-TR | 25 | 172 | 1,2,4 | TECHNOLOGY IMPLEMENTATION | |
| 85 | ED-O&M-TR | 25 | 173 | 1,2,4 | SCIENCE, TECHNOLOGY, AND SOCIETY GRANT | |
| 86 | ED-O&M-TR | 25-27 | 174-179 | 1,2,4 | TECHNOLOGY | |
| 87. | ED | 27 | 180 | 1 | STATE LIBRARY GRANT | |
| 88 | ED | 27 | 181 | 1 | ILLINOIS ARTS COUNCIL GRANTS | |
| 89 | ED-O&M-TR | 27 | 182 | 1,2,4 | MINORITY TRANSITION | |
| 90 | ED-O&M-TR | 27 | 185 | 1,2,4 | COMPUTER TECHNOLOGY IN THE CLASSROOM | |
| 91 | ED-O&M-TR | 27 | 187 | 1,2,4 | PROJECT SUCCESS | |
| 92 | ED-TR | 27 | 188 | 1,4 | IDOT SAFETY | |
| 93 | ED-TR | 27 | 189 | 1,4 | IDOT ALCOHOL AWARENESS | |
| 94 | B&I | 27 | 191 | 3 | CAPITAL DEV BD BOND INTEREST | |
| 95 | ED-O&M-B&I-TR-MR/SS-RT | 27-28 | 196 | 1,2,3,4,5,8 | OTHER STATE FUNDS | |
| 96 | ED-O&M-TR-MR/SS-RT | 29-30 | 210 | 1,2,4,5 | RESTRICTED GRANTS-IN AID FROM FED GOV | |
| 97 | ED | 29 | 205 | 1 | (SUBTRACT) HEAD START | |
| 98 | ED-O&M-TR-MR/SS | 29-30 | 214 | 1,2,4,5 | IASA, TITLE VI | |
| 99 | ED | 31 | 227 | 1 | TOTAL FOOD SERVICES | |
| 100 | ED-O&M-TR-MR/SS | 33-34 | 239 | 1,2,4,5 | IASA, TITLE I | |
| 101 | ED-O&M-TR-MR/SS | 33-34 | 243 | 1,2,4,5 | TOTAL SAFE AND DRUG FREE | |
| 102 | ED-O&M-TR-MR/SS | 33-34 | 256 | 1,2,4,5 | TOTAL J T P A | |
| 103 | ED-O&M-TR-MR/SS | 35-36 | 261-264 | 1,2,4,5 | FED - SPEC ED | |
| 104 | ED-O&M-MR/SS | 37-38 | 285 | 1,2,5 | TOTAL VOCATIONAL EDUCATION | |
| 105 | ED-O&M-TR-MR/SS | 37-38 | 295 | 1,2,4,5 | MEDICAID MATCHING FUNDS | |
| 106 | ED-TR-MR/SS | 37-38 | 296 | 1,4,5 | EMERGENCY IMMIGRANT ASSISTANCE | |
| 109 | ED-TR-MR/SS | 37-38 | 297 | 1,4,5 | SERVE AMERICA | |
| 108 | ED-TR-MR/SS | 37-38 | 298 | 1,4,5 | FEDERAL FOREIGN LANGUAGE | |
| 109 | ED | 39 | 299 | 1 | TEACHER LEADERS | |
| 110 | ED-O&M-TR-MR/SS | 39-40 | 300 | 1,2,4,5 | MC KINNEY EDUC FOR HOMELESS CHILDREN | |
| 111 | ED-O&M-TR-MR/SS | 39-40 | 301 | 1,2,4,5 | TRAINING SCHOOL HEALTH PERSONNEL | |
| 112 | ED-O&M-TR-MR/SS | 39-40 | 302 | 1,2,4,5 | IASA - TITLE II - EISENHOWER PROF DEV FORMULA | |
| 113 | ED-O&M-TR-MR/SS | 39-40 | 303 | 1,2,4,5 | IASA-TITLE II EISENHOWER - MATH/SCI COMP | |
| 114 | ED-O&M-TR-MR/SS | 39-40 | 304 | 1,2,4,5 | SPECIAL STUDIES PROGRAM | |
| 115 | ED-O&M-TR-MR/SS | 39-40 | 309 | 1,2,4,5 | TOTAL GOALS 2000 | |
| 116 | ED-O&M-TR-MR/SS | 39-40 | 310 | 1,2,4,5 | DEPT OF REHABILITATION SERVICES | |
| 117 | ED-O&M-TR-MR/SS | 39-40 | 311 | 1,2,4,5 | S T E P | |
| 118 | ED-O&M-TR-MR/SS | 39-40 | 312 | 1,2,4,5 | FED TECH PROGRAM/TELECOM/INFRASTRUCT ASST | |
| 119 | ED-O&M-TR-MR/SS | 39-40 | 313 | 1,2,4,5 | FEDERAL EMERGENCY MANAGEMENT AID | |
| 120 | ED-O&M-TR-MR/SS-RENT | 39-40 | 315 | 1,2,4,5,8 | OTHER FEDERAL FUNDS | |

121 TOTAL DEDUCTIONS FOR TUITION COMPUTATION (Lines 48 through 120)

122 NET OPERATING EXPENSE FOR TUITION COMPUTATION (Line 47 minus 121) $

123 ADD TOTAL DEPRECIATION ALLOWANCE (Page 62, Column F)

124 TOTAL ALLOWANCE FOR TUITION COMPUTATION (Line 122 plus Line 123)

125 AVERAGE DAILY ATTENDANCE (See the General State Aid Claim for 1996-97 (ISBE 50-11) Line 24)

126 PER CAPITA TUITION CHARGE (Line 124 divided by Line 125) $

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# APPENDIX I

## School Funding Principles
## Adopted March 16, 1995

On March 16, 1995, the Illinois State Board of Education adopted these School Funding Principles:

I. The state has the responsibility to provide for each student high-quality educational opportunities to meet Illinois' academic content and performance standards, to determine the cost of providing those opportunities, to assess student learning and to hold schools accountable for student success.

II. A goal of the state is to ensure equitable access to high-quality educational opportunities for all students, regardless of need.

III. The system of public school funding should allow for locally authorized expenditures above the amount necessary to provide high-quality educational opportunities.

IV. School districts should receive comparable resources for equivalent local tax effort. State and local funding should be neutral with respect to school district organization.

V. The revenues to support access to high-quality educational opportunities for public school students must be stable, predictable and balanced among multiple sources. The majority of education revenues statewide should be provided by the state.

# APPENDIX J

## Property Taxes in Illinois

## Local Assessment and Taxation of Property

More than 99 percent of all property is assessed locally. In township counties, the township is the assessment unit. In "commission" counties, where there is no township government, property assessment is performed at the county level. (The 17 commission counties are Alexander, Calhoun, Edwards, Hardin, Johnson, Massac, Menard, Monroe, Morgan, Perry, Pope, Pulaski, Randolph, Scott, Union, Wabash, and Williamson.)

The property tax cycle extends over two years. The tax year is the year of assessment and reflects the value of property as of January 1. The tax bills are distributed and the taxes are paid in the year following the tax year.

In Illinois, all real property is required to be reviewed and reassessed every four years. Between these quadrennial assessments, properties whose condition has significantly changed or that has been incorrectly assessed are subject to reassessment. The last quadrennial assessment in commission counties was in 1994; in township counties the last was in 1995. Clark, Crawford, Edgar, Lake, Madison, Menard, and St. Clair counties are divided into four assessment districts and Cook County is divided into three assessment districts. In these counties one district is reassessed each year on a rotating basis. Farmland is revalued every year.

Once boards of review complete their adjustments and finalize assessments and the state has certified an equalization factor to the county, taxes are extended by the county clerk. Tax rates are computed by dividing the levy for each fund in a particular district by the equalized assessed valuation of the district. If the computed rate is higher than the applicable statutory tax rate limit, then the legal maximum rate is applied. The rates may be further reduced in districts affected by the Property Tax Extension Limitation Law.

Tax bills on 1996 assessments were sent out in 1997. Property taxes are collected in two installments due in June and September, except in Cook County, where the first installment is due in March and the second in June. With county board approval, counties can collect taxes in four installments.

Property taxes are locally raised, locally administered, and locally spent. All property taxes are spent by taxing districts that serve the area from which the taxes are collected.

### State Role in Property Tax Administration

Although the property tax is a local tax, the state, through the Local Government Services Bureau of the Department of Revenue, has the statutory duty and responsibility to "direct and supervise" the local assessment process.

The bureau is involved with the local administration of the property tax in a number of ways, including providing technical assistance, maintaining taxing district maps, approving exemptions, equalizing assessments among counties, administering the personal property replacement tax, and assessing some property.

### Technical Assistance

The Department of Revenue publishes appraisal and assessment manuals, performs complex commercial and industrial appraisals at assessors' requests, and provides a variety of other technical services. The department also conducts training programs for assessors and board of review members on property tax assessment procedures.

### Taxing District Maps

The department prepares and maintains taxing district maps for all counties in the state. The maps maintained by the department outline boundaries of counties, political townships, municipalities, and taxing districts such as park districts, school districts, sanitary districts, community college districts, fire protection districts, and other property tax districts. In addition, the department maps detail major rivers, lakes, and railroads.

One of the main reasons for maintaining such maps is to ensure correct allocation of the assessed values of the operating property of railroads to the various taxing districts. The detail for the preparation of these maps is obtained from each county clerk. New districts, dissolutions, and changes in existing districts must be reported to the department by the county clerks under the provisions of Section 110.125 of the Illinois Administrative Code (86 Ill. Adm. Code, Part 110). Updating taxing boundaries based on the changes submitted by county clerks will be facilitated with the department's change to a Geographic Information System (GIS).

### Approval of Exemptions

The department approves non-homestead exemption applications submitted by county boards of review or appeals. The decision of a local board of review or appeals to exempt any real property is not final until approved by the Department of Revenue.

### Equalization

The responsibility for equalizing the average level of assessments among all counties in the state has been assigned to the department. The guiding principle in any assessment program is uniformity. In terms of the state's involvement, uniformity in assessed values is necessary for 1) equally distributing the tax burden in districts that lie in more than one county, 2) providing a fair basis for the distribution of some state grants-in-aid, 3) applying tax rate and bonded indebtedness limitations to units of local government, and 4) maintaining the statutory assessment level.

The sales ratio studies conducted annually by the department provide the foundation for intercounty equalization. These data allow the comparison of assessed values and market values and are used to calculate the equalization factors, which are certified annually to each county. The equalization factors are used to adjust assessments in a county by a given percentage to bring county assessment levels to the statutory standard. Taxes are extended on assessed values after equalization. Sales ratio study results are published and distributed annually by the Department of Revenue.

### Personal Property Replacement Tax

The Illinois Constitution of 1970 abolished the Corporate Personal Property Tax in Illinois as of January 1, 1979, and provided for the replacement of revenues derived from this tax by creation of the Personal Property Replacement Tax. The Department of Revenue certifies each taxing district's share of the replacement revenues collected by the state. Payments are made eight times per year to approximately 6,700 units of local government and school districts.

### State-Assessed Property

The Department of Revenue is responsible for the assessment of railroad-operating real estate and pollution-control facilities. The department certifies these assessments to county officials for inclusion in the local tax base. Taxes on these properties are collected and spent locally.

## Property Tax Developments

### Assessment and Equalization

From 1927 until 1971, the statutory assessment of property was 100 percent of fair cash value. In the late 1960s and early 1970s, assessing authorities had generally been assessing property at a lower level. In 1971, Public Act 77-725 became law, defining "fair cash value" to mean 50 percent of the actual value of property in all counties not classifying real property for taxation purposes.

Also, in the 1960s and early 1970s, changes were made to the method of calculating the county equalization factors. For some time the multipliers were issued only for the quadrennial assessment years, and there was a period when the multipliers were frozen. The Illinois Supreme Court decision dated April 16, 1975, *Hamer v. Lehnhauser*, 60 Ill. 2d 400 indicated that differences in assessment and equalization practices would not be permitted to continue. The legislature realized that if the 50 percent level was immediately mandated, many counties' equalized assessed valuation would go up substantially. As a result, Public Act 79-703 was passed.

Public Act 79-703 directed the Department of Local Government Affairs to equalize county average assessment levels annually at the statutory assessment level. Effective as of the 1975 tax year, the statutory level was set at 33 1/3 percent of the market value. To facilitate the implementation of the law, a three-year transition period was allowed. Counties below 33 1/3 percent were assigned target levels to bring them to 33 1/3 percent in three steps. All counties were protected by a provision that no multiplier would be assigned that would reduce a county's total equalized assessed value, excluding new property, below the 1974 equalized assessed value.

The validity of the state multiplier was upheld by the Supreme Court in two cases brought under Administrative Review Law contesting the Cook County multiplier. The first case, *Airey v. Department of Revenue*, 116 Ill. 2d 528, 1987, upheld the methodology of the department. The second, *Advanced Systems, Inc. v. J. Thomas Johnson*, 126 Ill. 2d 484, 1989, upheld the hearing process used for the multipliers.

**Property Tax Appeal Board**

The State Property Tax Appeal Board was created in 1967. The board hears appeals of decisions of county boards of review and may revise assessments of property based on evidence presented at its hearings. State assessments are not subject to review by the Property Tax Appeal Board. Public Act 89-126 (House Bill 1465) allows appeals to the Property Tax Appeal Board of decisions of the Cook County Board of Appeals for residential property beginning with the 1996 assessment year and for other property beginning with the 1997 assessment year.

**Farmland**

Prior to the late 1970s farmland was assessed like all other property on the basis of fair market value. With the passage of legislation in 1977, the assessment of farmland began to move toward agricultural-use valuation. Use-value assessments recognize a difference between value in use and value in exchange (market value) and are generally lower than market value assessments.

In the early years (1977-1979), the department certified a top value to each county based upon a three-part formula which considered value of agricultural products sold in the county, value of principal crops in the county, and average sale price of farmland in the county. This top value was assigned to the best land in the county, and the value was reduced downward proportionately for less productive land.

For tax years 1981 and following, farms are assessed according to "agricultural economic value," which is defined by law. To be eligible for assessment as a farm, a tract of land must have been used for agricultural purposes for the two preceding years. An agricultural economic value based on the net income of farms in Illinois is the basis of the assessment of farmland. Farm homesites and dwellings are assessed at one-third of the market value; farm buildings are assessed at one-third of their respective contribution to the farm's productivity.

**Personal Property Tax**

In the 1972 tax year, a marked decline in the property tax base resulted from the abolition of the tax on personal property owned by individuals. Corporations, partnerships, and trusts continued to be taxed on personal property through the 1978 tax year. Since tax year 1979, only real property has been subject to property taxes.

## Homestead Exemptions

The Illinois Constitution of 1970 provided the authority to grant homestead exemptions. Presently, there are five types of homestead exemptions:

The ***general owner-occupied homestead exemption*** is available to residential property that is occupied by the owner or a lessee with an ownership interest as the principal dwelling place. The amount of the exemption is the increase in the current year's equalized assessed value above the 1977 tax year equalized assessed value. The maximum exemption was raised to $3,500 for 1983. In Cook County only, this was increased to $4,500 beginning with the 1991 tax year.

The ***senior citizens homestead exemption***, effective for tax year 1972 and subsequent tax years, is a $2,000 reduction in the equalized assessed valuation of real property that is (a) owned and occupied solely by a person 65 years of age or over, or is owned by such a person as a joint tenant or tenant in common; or (b) leased and occupied by such a person who is obligated to pay the taxes on the property. In Cook County only, this was increased to $2,500 beginning with the 1991 tax year.

The ***homestead improvement exemption*** is limited to the fair cash value added by the improvement, up to an annual maximum of $45,000, ($15,000 of equalized assessed valuation except in Cook County) and continues for four years from the date the improvement is completed and occupied.

The ***disabled veterans' exemption*** exempts up to $50,000 of the assessed value. The Illinois Department of Veterans' Affairs determines eligibility for this exemption, which must be reestablished annually.

The **senior citizens assessment freeze homestead exemption** first became available for the 1994 tax year. It allows qualified senior citizens to elect to maintain the equalized assessed valuations of their homes at the base year values and prevent any increase due to inflation. This exemption must be applied for annually.

## General Authority Tax Abatements

Three types of general authority abatements are available from local taxing districts: 1) commercial and industrial, 2) leasehold, and 3) urban decay.

The commercial and industrial abatement is provided for by 35 ILCS 200/18-165. In general, the abatement applies to the property of any commercial or industrial firm, including, but not limited to, the property of any firm that is used in collecting, separating, storing, or processing recyclable materials. The aggregate amount of abated taxes for all taxing districts combined cannot exceed $4 million over a 10-year period. Some horse racing and auto racing facilities also receive limited abatements that may not exceed 10 years. Academic or research institutes may be granted abatements for at least 15 years. The aggregate amount of abated taxes for horse racing facilities and those for academic or research facilities should not exceed $5 million.

Leasehold abatements are provided for by 35 ILCS 200/18-175. These apply to certain leasehold interests in a property on which a restaurant and overnight lodging facilities are located and leased from the Department of Natural Resources.

Urban decay abatements apply to any area demonstrating conditions of a "blighted" or "conservation" area, as defined in 65 ILCS 5/11-74.4-3. A home rule municipality may abate a percentage of the taxes levied for a period not to exceed 10 years on each parcel of property that is located in an area of urban decay. This abatement is provided for by 35 ILCS 200/18-180.

## Enterprise Zones

The Enterprise Zone Act took effect December 7, 1982, and authorizes the Department of Commerce and Community Affairs to certify a limited number of enterprise zones in depressed areas of the state. Associated with the zones are state income tax, sales, and property tax incentives to encourage business investment. Under the Act, each unit of local government has the authority to abate property tax on business improvements added to real estate subsequent to the creation of the enterprise zone. These abatements, provided by 35 ILCS 200/18-170, apply to all classes of real property. Such abatements are limited to the term of the zone and apply only to the amount of the improvements; there is no specified dollar limit as there is under the General Authority Abatement.

### Tax Increment Financing

Tax increment financing (TIF) is a financing tool used to redevelop blighted areas and create economic recovery. The five types of property tax TIFs are explained below.

***Tax Increment Allocation Redevelopment Act.*** This Act, provided for by 65 ILCS 5/11-74.4-1 *et seq.*, allows Illinois municipalities to designate some areas, i.e., residential neighborhoods, commercial business districts, or industrial areas, as redevelopment areas and create a TIF district. The tax revenue, derived from the assessment increases in the project area, is used to pay for the public investments made in the TIF area and certain costs to the developer. The TIF district is dissolved once all redevelopment costs are paid or at the end of 23 years, whichever comes first, although some have been extended to 35 years.

***Economic Development Area Tax Increment Allocation Act.*** This Act, provided for by 20 ILCS 620/1 *et seq.*, encourages commerce and industry on sites of at least 320 acres. The guidelines include creating and maintaining no less than 2,000 jobs, and the private investment of at least $100 million. These areas are certified by the Department of Commerce and Community Affairs and are limited in number.

***County Economic Development Project Area Property Tax Allocation Act.*** This Act, provided for by 55 ILCS 85/1 *et seq.*, allows for a rebate to any developer or nongovernment person of taxes generated from the increase in the tax base of the project area if the TIF area is located in an enterprise zone. The Act applies only to counties that are adjacent to the Mississippi River with 200,000 to 300,000 inhabitants. Other guidelines include creating or retaining no less than 1,000 jobs and the private investment of at least $50 million. These are also certified by the Department of Commerce and Community Affairs.

***County Economic Development Project Area Tax Increment Allocation Act.*** This Act, provided for by 55 ILCS 90/1 *et seq.*, limits the number of areas that could be created to the first 20 months of its inception. The Act allows for a rebate to any developer or nongovernment person of taxes generated from the increase in the tax base of the project area if the TIF is located in an enterprise zone. The area must cover an aggregate of 5,000 acres and the county unemployment rate cannot be less than 12 percent. The guidelines also include creating or retaining 1,000 jobs and the private investment at least $100 million.

***Industrial Jobs Recovery Law.*** This law, provided for by 65 ILCS 5/11-74.6-1 *et seq.*, allows municipalities that meet certain site conditions, i.e., unemployment, declining EAV, vacant industrial buildings, or environmental contamination, to create TIF districts. If no project is initiated within five years, the municipality may adopt an ordinance repealing this designation.

***Economic Development Project Area Tax Increment Allocation Act.*** This Act, provided for by 65 ILCS 110/1 et. seq., covers closed military installations with at least 500 acres and a project area of at least 1 ½ acres (Rantoul, Glenview, Mel Price Support Center, Fort Sheridan). Upon prior approval of a municipality and any affected taxing districts, and if the property is in an enterprise zone, a developer may be given a rebate on all or some of that portion of property taxes otherwise paid to the taxing district(s).

### Truth-in-Taxation Law

The Truth-in-Taxation Law became effective on July 30, 1981. It requires any district levying more than 105 percent of its prior-year extension to publish a notice in the newspaper and hold a public meeting concerning the proposed levy increase. If the provisions of the law are not met, the county clerk may not extend an amount greater than 105 percent of the prior year's extension. An amendment signed into law December 5, 1989, defined the aggregate levy to be used in the 105 percent comparison and the form to be used for the public notice. (Reference: 35 ILCS 200/18-55 *et seq.*)

(A more detailed discussion of the Truth-in-Taxation Act can be found in Part V.)

**Property Tax Extension Limitation Law**

The law limits the increase in property tax extensions to five percent or the percent increase in the Consumer Price Index (CPI), whichever is less. The law first applied to the 1991 levy year for taxes payable in 1992. Increases above five percent or the CPI must be approved by the voters in a referendum. The law imposed a mandatory property tax limitation on taxing districts located entirely in DuPage, Kane, Lake, McHenry, and Will Counties. Taxing districts that overlap into other counties are included in the mandatory provisions of this law only if a majority of the equalized assessed valuation (EAV) for the 1990 levy year was in the collar counties. Cook County taxing districts were added in 1994. Public Act 89-510 extended the provisions of the Law to all other counties if county referenda are approved by the voters. Home-rule taxing districts are not affected by the law.

(A more detailed discussion of the Property Tax Extension Limitation Law can be found in Part V.)

**Senior Citizens Real Estate Tax Deferral Law**

Public Act 83-895, known as the Senior Citizens Real Estate Tax Deferral Law, established a program by which people who are 65 years of age or older and meet prescribed criteria may defer all or part of their real estate taxes. This program began with the 1983 tax year with taxes payable in 1984. It is administered by the county treasurers, and participants must reapply for each year they wish to defer their taxes.

In effect, the state pays the taxes for such taxpayers and acquires a lien on the property for the amount of the taxes and interest thereon. Upon the taxpayer's death, his/her heirs may pay the amount of the lien to the state or the state may sell the property to recover the amount of the lien. Units of local government suffer no loss of tax revenue under the Senior Citizens Real Estate Tax Deferral Act.

| Tax Year | Participants | Taxes deferred and lien fees |
|---|---|---|
| 1996 | 1,624 | $3,439,766 |
| 1995 | 1,575 | 3,253,077 |
| 1994 | 1,296 | 2,701,508 |
| 1993 | 913 | 1,838,472 |
| 1992 | 527 | 978,495 |
| 1991 | 441 | 794,704 |
| 1990 | 328 | 539,534 |
| 1989 | 295 | 432,605 |
| 1988 | 232 | 289,154 |
| 1987 | 223 | 240,906 |
| 1986 | 178 | 187,729 |
| 1985 | 153 | 150,364 |
| 1984 | 112 | 107,803 |

## Circuit Breaker Property Tax Relief Program

The "Circuit Breaker" property tax relief program, provided for by 320 ILCS 25/1 et seq., was initiated in 1972 by the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act. The intent was to protect the assets of low-income senior and disabled residents who could least afford the burden of property taxes, both for the taxes they paid directly and for those they paid indirectly through rent or nursing home charges. The program has undergone many changes since its initial inception, but the property tax relief has remained a constant feature. In order to qualify, a person must be 65 years of age or older, or 16 years of age or older and totally disabled, and meet prescribed criteria. The department administers the program. Claimants must file each year.

## Cook County Real Property Classifications

Cook County classifies real property for the purpose of taxation. In 1974, the Cook County Board passed an ordinance establishing five assessment classes and the percentage of market value at which each class is to be assessed. This ordinance has been amended three times and currently there are nine classes. Cook County real estate is classified by the assessor into "minor classes." These are further classified into the "major classes" by the ordinance.

Source: Various publications of the Illinois Department of Revenue.

# APPENDIX K

## School Finance Equity

## Introduction and Background

Equity is a concept that has been discussed in Illinois and other states for decades. The term was originally used in the context of insuring equal access to educational services for all children. It then came to mean equal access to minimal resources. During the past 25 years, the definition has been expanded to mean equal access to appropriate resources relative to need. During the 1970s and 1980s, equity received much attention in school finance literature due at least in part to school finance litigation in many states. Equity still remains a complex issue; however, in recent years in Illinois, discussions of equity have not enjoyed the prominence of years past.

Taxpayers and students have traditionally been the two groups studied with regard to equity. We must remember that a system of school finance which treats taxpayers fairly may or may not be fair for students.

One principle of taxpayer equity states that taxpayers with equal ability to pay should have the same tax burden. This suggests a uniform tax rate across the districts and among the taxpayers. A statewide uniform tax rate may not be practical, given differing preferences for educational services across the state. A variation on this principle states that the relationship among tax burdens should vary with the ability to pay. This suggests a variable rate structure.

A second principle of taxpayer equity, which takes into account total resources for education, states that two school districts with equal tax rates should receive substantially equal per-pupil resources in support of their educational programs. This "equal yield for equal effort" principle suggests that local preference for education and not ability to pay should account for any differences among school district's resources.

Student equity is by far the most researched and written about aspect of equity. The main focus in Illinois has been on per-student resources. Three principles of student equity will be discussed.

First is the principle of "horizontal equity." This principle assumes all students are equal and should receive equal resources, or that equals should be treated equally. Under this principle, perfect equity would be indicated by no variation in per-pupil resources.

The principle of "vertical equity" recognizes differences among pupils and requires those differences be taken into account, i.e., unequals should be treated unequally. Differences among pupils may be legitimate (e.g., learning disabilities, inadequate preschool preparation) or illegitimate (e.g., sex, race, type of district organization, property wealth of the district). When legitimate differences are recognized, additional resources would go to those students with additional needs.

The final principle of student equity is that of "equal opportunity." This principle states that all students should have access to substantially equal educational resources regardless of differences (illegitimate) among them. The classic example of equal opportunity comes from the Serrano case in which the California Supreme Court ruled that residence (property wealth of the school district) was not a legitimate reason for unequal educational opportunity.

With regard to taxpayer equity, policy makers must decide if Illinois depends too heavily on property taxes to support education or if the tax burden for schools should be redistributed among the state's residents through other means.

In the past much of the equity debate centered on reformation of the General State Aid Formula. Arguably, the new General State Aid formula with substantial additional funding could serve to reduce revenue/expenditure disparity and temporarily achieve more equity; however, it is unrealistic to expect state funding can or will, for the foreseeable future, keep pace with and surpass the increase in local property tax revenues currently being experienced by school districts in some areas of the state.

The measure of equity chosen will depend upon which principles of student equity we wish to monitor. Measures of horizontal and vertical equity are normally univariate and typically measure statistically the amount of variation present in the distribution of resources among districts. While most of the measures were designed to measure horizontal equity, they may also be used when legitimate differences among pupils have been accounted for through a system of student weighting.

If we are concerned with "equal opportunity," a technique which will yield a measure of the variation in resources while controlling for illegitimate differences among pupils must be used. When district wealth is the illegitimate difference upon which we focus our attention, we are said to be measuring the degree to which a state is "wealth neutral."

## Equity Measures

The following are measures of student equity based on per-student revenues. Revenues are defined as the sum of General State Aid, property taxes at the operating rate and Corporate Personal Property Replacement Taxes. The General State Aid pupil count is used as the measure of students. No attempt is made to account for categorical funding programs such as special education, transportation, gifted education or bilingual education. The coefficient of variation (standard deviation divided by the mean) gives the average variation from the mean. An index of 0 would mean no variation in per-student revenues. Wealth neutrality (simple regression coefficient) provides the extent to which property wealth is a factor in per-student revenues. An index of 0 would indicate that property wealth of the district would in no way be a function of per-student revenues. The McCloone Index (total revenues below the median divided by revenues needed to assure all districts median revenues) is a measure of per-student revenues in the bottom half of the distribution. An index of 1 would indicate no variation below the median. The 95/5 Ratio (per student revenue at the 95th percentile divided by the per-student revenue at the 5th percentile) is a measure of variation in per-student revenues, ignoring the highest and lowest per-student revenues. An index of 1 would indicate no variation in per-student revenues between the 5th and 95th percentile. The following tables provide a 10-year history of these four indices.

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## Coefficient of Variation

| Year | Elementary | High School | Unit |
|---|---|---|---|
| 88-89 | 38.09 | 31.46 | 17.69 |
| 89-90 | 34.21 | 31.19 | 17.49 |
| 90-91 | 33.80 | 33.16 | 19.81 |
| 91-92 | 37.29 | 37.50 | 19.17 |
| 92-93 | 37.23 | 38.07 | 20.73 |
| 93-94 | 37.71 | 39.13 | 19.24 |
| 94-95 | 37.49 | 38.94 | 21.14 |
| 95-96 | 37.96 | 41.18 | 20.58 |
| 96-97 | 37.49 | 39.50 | 20.96 |
| 97-98 | 37.31 | 38.12 | 17.44 |
| 98-99 | 28.26 | 35.66 | 13.77 |

## Wealth Neutrality

| Year | Elementary | High School | Unit |
|---|---|---|---|
| 88-89 | 0.3321 | 0.4009 | 0.1650 |
| 89-90 | 0.2947 | 0.3904 | 0.1609 |
| 90-91 | 0.2908 | 0.4130 | 0.1751 |
| 91-92 | 0.3031 | 0.4371 | 0.1828 |
| 92-93 | 0.3135 | 0.4356 | 0.1985 |
| 93-94 | 0.2987 | 0.4296 | 0.1905 |
| 94-95 | 0.2950 | 0.4250 | 0.1941 |
| 95-96 | 0.3040 | 0.4334 | 0.1942 |
| 96-97 | 0.3082 | 0.4335 | 0.2022 |
| 97-98 | 0.3139 | 0.4316 | 0.1963 |
| 98-99 | 0.2174 | 0.4440 | 0.1376 |

## McCloone Index

| Year | Elementary | High School | Unit |
|---|---|---|---|
| 88-89 | 0.9138 | 0.8713 | 0.9517 |
| 89-90 | 0.9101 | 0.8461 | 0.9534 |
| 90-91 | 0.8946 | 0.8438 | 0.9552 |
| 91-92 | 0.8935 | 0.8488 | 0.9520 |
| 92-93 | 0.8825 | 0.8211 | 0.9541 |
| 93-94 | 0.8866 | 0.8620 | 0.9549 |
| 94-95 | 0.8903 | 0.8597 | 0.9530 |
| 95-96 | 0.8848 | 0.8609 | 0.9502 |
| 96-97 | 0.8804 | 0.8580 | 0.9466 |
| 97-98 | 0.8801 | 0.8494 | 0.9363 |
| 98-99 | 0.9076 | 0.8180 | 0.9545 |

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95/5 Ratio

| Year | Elementary | High School | Unit |
|---|---|---|---|
| 88-89 | 2.6754 | 2.3827 | 1.4335 |
| 89-90 | 2.4997 | 2.4027 | 1.3832 |
| 90-91 | 2.4502 | 2.5424 | 1.3796 |
| 91-92 | 2.5165 | 2.7065 | 1.4245 |
| 92-93 | 2.6333 | 2.8588 | 1.4296 |
| 93-94 | 2.5794 | 2.9315 | 1.4484 |
| 94-95 | 2.5635 | 2.8427 | 1.4514 |
| 95-96 | 2.6011 | 2.8807 | 1.4296 |
| 96-97 | 2.5677 | 2.8470 | 1.4499 |
| 97-98 | 2.5633 | 2.8584 | 1.4781 |
| 98-99 | 2.0702 | 2.6929 | 1.3680 |

## Summary

The degree of equity, as defined above, differs greatly among types of school districts. It is fairly obvious that all equity indices are considerably "better" in unit districts than in either elementary or high school districts. Movement in each of the indices in largely dependent on the amount of state funding in a given year. The property tax has a fairly steady rate of growth. In times of a robust state economy and when additional revenues are made available for elementary and secondary education, the indices generally improve over the previous year. When increases in revenue are significantly influenced by the property tax, movement is generally in the opposite direction. The tables indicate that in 1998-99, due mainly to a new formula and the $450,000,000 new dollars accompanying it, all indices generally improved. Only in high school districts did the wealth neutrality and McCloone index measure move away from a more equitable state. This can be explained, at least in part, by the elimination of the high school grade weighting in the new formula.

# WORLD-CLASS EDUCATION FOR THE 21ST CENTURY: THE CHALLENGE AND THE VISION

## VISION STATEMENT

As we approach the 21st century, there is broad-based agreement that the education we provide for our children will determine America's future role in the community of nations, the character of our society, and the quality of our individual lives. Thus, education has become the most important responsibility of our nation and our state, with an imperative for bold new directions and renewed commitments.

To meet the global challenges this responsibility presents, the State of Illinois will provide the leadership necessary to guarantee access to a system of high-quality public education. This system will develop in all students the knowledge, understanding, skills and attitudes that will enable all residents to lead productive and fulfilling lives in a complex and changing society. All students will be provided appropriate and adequate opportunities to learn to:

- communicate with words, numbers, visual images, symbols and sounds;
- think analytically and creatively, and be able to solve problems to meet personal, social and academic needs;
- develop physical and emotional well-being;
- contribute as citizens in local, state, national and global communities;
- work independently and cooperatively in groups;
- understand and appreciate the diversity of our world and the interdependence of its peoples;
- contribute to the economic well-being of society; and
- continue to learn throughout their lives.

## MISSION STATEMENT

The mission of the State Board of Education is to enable all Illinois students to become confident, self-sufficient and productive citizens. To this end, the Board establishes policies that systematically support an everchanging, lifelong learning process. Furthermore, it acts as an advocate, provider, and broker of community, family and state resources and services that ensure the accomplishment of the State's Goals for Learning.

## ILLINOIS GOALS

**1.** Each Illinois public school student will exhibit mastery of the learner outcomes defined in the State Goals for Learning, demonstrate the ability to solve problems and perform tasks requiring higher-order thinking skills, and be prepared to succeed in our society and the workforce. All people of Illinois will be literate, life-long learners who are knowledgeable about the rights and responsibilities of citizenship and able to contribute to the economic and social well-being of our society.

**2.** All Illinois public school students will attend schools which are safe and free of violence and drugs. Such schools will provide an environment which is conducive to learning and promotes respect among all students and staff.

**3.** All Illinois public school students will be served by an education delivery system which focuses on student outcomes; promotes maximum flexibility for shared decision making at the local level; and has an accountability process which includes rewards, interventions and assistance for schools.

**4.** All Illinois public school students will have access to schools and classrooms with highly qualified and effective professionals who ensure that students achieve high levels of learning.

**5.** All Illinois public school students will attend schools which effectively use technology as a resource to support student learning and improve operational efficiency.

**6.** All Illinois public school students will attend schools which actively develop the support, involvement and commitment of parents and their community through the establishment of partnerships and/or linkages to ensure the success of all students.

**7.** Every Illinois public school student will attend a school that is supported by an adequate, equitable, stable and predictable system of finance.

**8.** Each child in Illinois will receive the support services necessary to enter the public school system ready to learn and progress successfully through school. The public school system will serve as a leader in collaborative efforts among private and public agencies so that comprehensive and coordinated health, human and social services reach children and their families.

*Developed by citizens of Illinois through a process supported by the Governor, the Illinois State Board of Education and the Illinois Business Roundtable.*
*Adopted as a centerpiece for school improvement efforts, revised February 1996. Printed by the authority of the State of Illinois.*

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